February 2: Make It or Break It – VLCT Calls for Increased Revenue and Finance Authorities, and more

Copyright Vermont League of Cities and Towns
Current as of: 11/11/2026

We are now one month into the 2026 legislative session and one month away from the critical crossover deadline. With few exceptions, legislative proposals in each chamber – House and Senate – must clear their committees of jurisdiction and be passed by the majority of the chamber before Town Meeting Day – or otherwise die when the biennium closes this spring.

The month ahead will be make or break for several key municipal priorities that have not yet been acted on by one chamber or the other, including a slowdown of Act 181, a monetary cap for municipal liability, municipal zoning appeals reform, and some new proposed local revenue authorities.

In this ***Weekly Legislative Report***, we preview several new housing bills, recap VLCT's testimony regarding Act 181 and Tier 1 eligible areas, discuss a proposal that could increase municipal liability (again), and confront the increasing cost pressures on municipal budgets ahead of Town Meeting Day.

Where Have All the Tier 1 Areas Gone? Land Use & Housing Testimony to Senate Economic Development and Housing Committee

On Friday morning, VLCT testified before the Senate Committee on Economic Development, Housing, and General Affairs to answer questions about the uptake of Tier 1B eligibility and our concerns related to the implementation of Act 181. In the 2024 legislative session, this committee provided one of the primary venues for the debate around Act 181, and current committee members Chair Alison Clarkson, Senator Kesha Ram Hinsdale (former chair), and Senator Randy Brock all participated in its drafting.

Copyright Vermont League of Cities and Towns
Current as of: 11/11/2026

Now, the Land Use Review Board (LURB) has begun its statutory duty of reviewing for approval the future land use maps that will determine Tier 1A and Tier 1B eligibility. During the 60-day pre-application period for each regional map (submitted by the regional planning commissions, or RPCs), municipalities can provide a resolution indicating a request for Tier 1B status inside of those eligible area boundaries, to be affirmed or denied by the LURB. Tier 1B status would provide Act 250 exemption for housing projects up to 50 units.

While this process is ongoing and it is premature to forecast how many towns will ultimately take up the Tier 1B opportunity, VLCT testified that as of right now, there is an 85% uptake rate among municipalities choosing to "opt in" for Tier 1B. It is clear that municipalities of all shapes and sizes are eager to leverage this new opportunity to encourage housing creation.

However, there is a flaw in the slaw. The total eligible land area for Tier 1 status is estimated to be 2.1% statewide – an incredibly small fraction of all existing residential area statewide when compared to the *new* Act 250 jurisdictional area created by the Road Rule and proposed Tier 3 area.

Furthermore, the ongoing approval process taking place at the LURB is resulting in a significant decrease in Tier 1 eligible area compared to what the RPCs first proposed.

The Rutland Regional Planning Commission, the first in line to submit a draft map for approval, has reported that as a result of the initial response from the LURB reviewer, Tier 1 eligible areas across Rutland County have been decreased from 3% overall to 2% – or a 30% reduction in the amount of existing settlement area that could receive relief from Act 250 jurisdiction.

Copyright Vermont League of Cities and Towns
Current as of: 11/11/2026

This is a good place in our recap to remind readers that in order to be considered for Tier 1 at all, a municipality must have a municipal plan, permanent zoning and bylaw, and local permitting capacity, and also be served by water and sewer or have suitable soils for new wastewater capacity – **so Act 250 permit review for proposed development in these areas is redundant**.

The VLCT Advocacy team asked senators to pump the brakes and take legislative action to **delay the implementation** of the new jurisdictional areas (Road Rule and Tier 3) **until after the regional mapping process has concluded**.

A delay in Act 181 implementation would:

- Allow municipal bodies to see, understand, and plan for new jurisdictional areas while the regional map adoption process unfolds.
- Allow homeowners and landowners time to participate in the LURB rule-making process.
- Allow local zoning administrators time to align local guidance with those issued by the LURB (particularly for the Road Rule).
- Allow for appropriate legislative oversight between adoption of the rule and when the new jurisdictional areas take effect.

The committee discussed potential next steps, including the opportunity to schedule further testimony related to Tier 1 areas and Act 181 implementation in joint hearings with the Senate Natural Resources and Environment Committee. We are now in month two of the legislative session and a month away from the critical crossover deadline. **If you have concerns about how Act 181 will shape the future of your community, consider contacting your**

Copyright Vermont League of Cities and Towns
Current as of: 11/11/2026

senator or representative and advocating for a slowdown of Act 181 implementation.

More Housing Bills: Manufactured Housing Types, Rural Financing, and Modernizing Zoning to Prevent Appeals

While we are working to slow down the premier housing and conservation bill of 2024, we are also working to speed up several new pro-housing proposals introduced in this session.

VLCT testified twice this week before the House Committee on Housing and General Affairs for two bills sponsored by Chair Marc Mihaly and others: H.757, an act relating to manufactured homes and limited equity cooperatives, and H.775, an act relating creating tools for housing production.

H.757 is not primarily a municipal bill: it makes miscellaneous changes to state law pertaining to Limited Equity Cooperatives – which affect cooperatively owned mobile home parks, including to exempt them from the 3 Acre rule. It would also require that in municipal zoning manufactured housing types be treated the same as site-built housing types and be allowed in all districts where permanent single-family residential development is allowed.

H.775 is a primarily municipal bill in that it expands current municipal finance authorities to enable and promote public investment that supports housing creation. It proposes to:

Copyright Vermont League of Cities and Towns
Current as of: 11/11/2026

- **Create the Rural Housing Finance Pilot Program.** This program extends state property tax stabilization for proposed housing developments through a municipal tax stabilization agreement. Eligible projects would be for up to 16 units, must be in a town with a population of no more than 5,000 people, and 15% of the units must be affordable for 15 years. Property taxes would be stabilized at the original taxable value for seven years and then would step up for three years, to be taxed at the full appraised value in year 11. The pilot would be capped at 300 projects over three years.
- **Create Special Assessment Bonds**. Proposed by the Vermont Bond Bank, this provision improves upon two existing municipal revenue authorities: revenue bonds and special assessment districts. It would allow municipalities to finance public improvements for a special assessment district area using the revenue from new future special assessment fees. This new authority could be used in combination with other public investment programs. For example, the special assessment bond could be used to create local match monies to draw down more substantial grant investments, or for projects financed primarily with Clean Water State Revolving Loan funds or the new Housing Infrastructure Loan Program. In these scenarios, the fees to property owners or rate payers would be modest – but could be used to leverage much larger public investments.
- **Create the Off-Site Construction Accelerator Pilot.** This program would be administered by the Agency of Commerce and Community development and would ultimately allow interested municipalities and developers to participate in the bulk purchasing of prefabricated housing units.

Copyright Vermont League of Cities and Towns
Current as of: 11/11/2026

The bill also proposes increasing from 10% to 12.5% the cash funds available to the state treasurer to invest in housing development, through the so-called "10% in VT program".

Samantha Sheehan testified in favor of H.775 at an introductory joint hearing of the House General and Housing Committee and the House Commerce Committee, saying that the bill would put more levers in the hands of local government to accelerate and invest in public infrastructure and housing creation.

VLCT Advocacy expects to also jump in to discussions on a Senate bill introduced this week, S.325, an act relating to studying the creation of model bylaws. The initial draft of the legislation follows a proposal first brought forward by Let's Build Homes advocacy group to create "ROOT Zones"_ short for Residential Opportunity Overlay for Towns), which would use a leaner and simpler version of form-based code. The overlay districts would create clear and objective regulations for the development of housing, and, per the current draft, would also create a new authority of municipalities to certify zoning permits through an administrative process – eliminating a subjective review process before the Design and Review Board. This would significantly reduce or **eliminate local appeals against municipal permits in the ROOT zones**.

VLCT advocacy will work with lawmakers to ensure that this legislation appropriately respects local planning processes and is paired with the necessary resources to allow small communities to leverage the program. That said, this is an exciting proposal and may be the first sincere legislative effort to confront Vermont's broken appeals system. ROOT zones, if well enough conceived in the law, could also serve as a sort of high-speed lane to

Copyright Vermont League of Cities and Towns
Current as of: 11/11/2026

Tier 1 adoption – so could allow municipalities relief from both Act 250 permit review and from municipal permit appeals. Wouldn't that really be something?

Miscellaneous DMV Bill Becomes an Opportunity for Municipal Liability Cap

VLCT was unexpectedly asked to provide testimony on S.326, this year's miscellaneous Department of Motor Vehicles (DMV) bill. In most biennia, a miscellaneous DMV bill arrives as a vehicle for cleaning up a variety of state programs and regulations administered by the Vermont DMV.

The Senate Committee on Transportation was particularly interested in VLCT's thoughts on section 18 of the 25-page bill. The DMV added this provision which would amend V.S.A § 4107 and suspend the requirement for Commercial Driver's License (CDL) **during a weather emergency** as determined by the District Transportation Administrator. Specifically, it would, at the discretion of the Commissioner or Secretary of Transportation, allow an employee of a state agency or Vermont municipality to operate a vehicle with a weight of 26,001 pounds or more without being required to hold a CDL .

After consulting with VLCT Risk Management Services staff, Josh raised municipal liability and safety concerns, particularly those that could arise during a weather-related emergency. The CDL program exists for good reasons, and having unlicensed drivers operating such large vehicles during

Copyright Vermont League of Cities and Towns
Current as of: 11/11/2026

the most perilous circumstances seems like a recipe for disaster. We also understand that having more flexibility for state and municipal employees to operate commercial vehicles in an emergency could be beneficial, or even crucial, in some emergency situations. However, **increased protection against municipal liability must be provided before VLCT could support such a measure**.

VLCT continues to ask the legislature to move H.138, a bill that would provide monetary liability caps for claims against municipalities. H.138 would provide municipalities with the same liability protection that the state of Vermont has for itself: a maximum liability of $500,000 to any one and $2,000,000 of maximum aggregate liability to all persons arising out of each occurrence. Please reach out to your legislator on the House Judiciary Committee and **ask them to take testimony or have hearings on H.138**.

Municipal Budget Constraints

Last week, all the buzz was about Governor Scott's annual budget address, which proposes a relatively austere $9.4 billion state budget and 5.5% state property tax increase. But let's not forget that now is also municipal budget season. Most of Vermont's 247 cities and towns will take their FY27 budgets forward for voter approval on Tuesday, March 3.

Our municipalities deliver at least as many of the vital public services that Vermonters rely on – everything from clean drinking water to plowing to public safety – as the state government does. And of course local budgets

Copyright Vermont League of Cities and Towns
Current as of: 11/11/2026

have experienced the same incredible inflationary pressures as the state's budget over the last five years. During that time, state property taxes have increased 41% while municipal budgets have been starved by a growing sensitivity among voters to municipal property tax increases, a general lack of non-property tax revenue authority for local government, and diminishing state appropriations for town highway funding.

As Town Meeting Day approaches, town budget committees and selectboards are preparing their municipal budgets and tax rates for their ballot. This means that throughout this month, Vermonters will receive annual reports and meeting warnings with a preview of what will be a painful floor debate for many communities that are struggling to find a way to do more with less.

Recent reporting on the announced budgets of Johnson and Colchester illustrates common cost pressures experienced by communities across Vermont. The proposed 6.6% increase in the municipal tax rate in Colchester is driven in part by their efforts to step up the recruitment, training, and retention of firefighters and also by a 5.5% increase in health insurance costs for all town employees (which the town negotiated down from an initial 22% increase). In Johnson, the proposed 4.4% increase in municipal taxes is driven primarily by falling non-property tax revenues, including state PILOT payments and an eye-popping 33% increase in the cost of insurance benefits for town employees.

Bennington Director of Public Works RJ Joly recently told the selectboard something during a budget workshop that we hope catches the attention of state lawmakers. As reported in the *Bennington Banner*, "In 2017, he said, his

Copyright Vermont League of Cities and Towns
Current as of: 11/11/2026

department had a paving budget of $735,000, which would allow paving eight to ten miles of Bennington's 120 miles of paved road. But that line item has been reduced over the years to $354,000 in the proposed fiscal 2027 budget, while the cost for paving materials has increased."

As we reported last week, Governor Scott's proposed budget would require a reduction of $7 million (7.3%) in town highway aid, from $96,665,344 in FY26 to $89,648,226 in FY27, while transportation construction and paving project costs have risen by 40-60% over the last five years. Bennington is certainly not alone in that the **purchasing power of its paving budget is only *one quarter* of what it was a decade ago**.

Many towns are raising the alarm about an increase in the rate of tax delinquencies, which creates a new, painful strain on local budgets. Under state law, municipalities must collect state property taxes ***and pay them*** regardless of whether the payer falls delinquent. The Town of Cambridge is currently carrying a gap of more than a quarter million dollars from unpaid property taxes as the selectboard confronts a potential 6% increase in the municipal tax rate.

Some communities are considering one of the new, rare revenue authorities state government has granted in the past few years: the adoption of Local Option Taxes (LOT). Voters in both Milton and Waitsfield will take up the question of whether to create a 1% LOT for meals and rooms, sales, and alcoholic beverages. The Milton selectboard projects that LOT revenues could provide more than $580,000 new revenues per year, while Waitsfield estimates $600,000 per year.

Copyright Vermont League of Cities and Towns
Current as of: 11/11/2026

Municipalities are not at all immune to the rising cost pressures from construction and paving materials, health insurance, an aging workforce, and tariffs on various critical materials. Local legislative bodies are also concerned that federal investment in flood resiliency, renewable energy, affordable housing and social services, and infrastructure could diminish or retreat and leave major holes in their future budgets.

VLCT will keep advocating against further cost shifts from state programs to municipal budgets, and we will keep fighting for new and improved municipal revenue authorities to protect Vermont households against the ever-growing burden of property tax bills.

What We're Tracking

Last week, the second bill deadline of the session passed for the Senate Chamber, bringing a final rush of new bills for introduction. So far in this session, 495 new bills have been released for introduction across both chambers, and 574 bills not passed or vetoed from last year are still active. Here are a few new bills we are tracking with great interest:

- **H. 778** An act relating to dam safety
- **H.790** An act relating to fiscal year 2026 budget adjustments
- **H. 773** An act relating to property tax sales for property that is abandoned or unfit for human habitation
- **S. 323** An act relating to miscellaneous agricultural subjects
- **S. 305** An act relating to housing and land use

Copyright Vermont League of Cities and Towns
Current as of: 11/11/2026

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.

- January Housing Report, Department for Children and Families (General Assistance Emergency Housing Program)
- 2025 Vermont Housing Budget and Investment Report, Vermont Department of Housing and Community Development
- 2026 Annual Report based on 2025 Grand List Data, Vermont Department of Taxes
- DEC Permit Expediting Report, Vermont Department of Environmental Conservation
- Editorial: A Resolution Worth Making, Angelo Lynn, Addison Independent
- How Small Towns in Vermont Are Getting a 'Once-in-a-Generation' Opportunity To Build New Homes, Realtor.com
- Vermont is Getting Millions Each Year from Opioid Settlements. Where's the Money Going? Vermont Public
- Vermont Towns Being Careful About Road Salt Use During Shortage, Times Argus

Copyright Vermont League of Cities and Towns
Current as of: 11/11/2026

- Vermont Transportation Revenues Trend Downward | News | newportvermontdailyexpress.com
- Vermont Lawmakers Consider Moving to 2-Year Car Inspections, Vermont Public

Get Involved

With work in the State House underway, the **most important key to our success is 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, February 9 at 1 PM.

- You can find (and share) this legislative preview, last month's advocacy update, and future reports and alerts on our main Advocacy webpage.
- Before you visit the State House, check VLCT's Effective Testimony Guide for Municipal Officials for best practices and answers to frequently asked questions.
- 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 and ssheehan@vlct.org.

Publication Date

02/02/2026

Copyright Vermont League of Cities and Towns
Current as of: 11/11/2026