February 17: Special Funding Proposals – Opioid Abatement, Appraisal, and Town Highways

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Given the constrained state budget this year, we thought lawmakers might be open to discussing municipal revenue streams, and, ***oh boy***, are they ***ever***. The good news is that some committees are open to exploring new non-property tax revenue ideas. The bad news is that the appropriations committees are discussing new ways to spend local monies.

In this ***Weekly Legislative Report***, we discuss proposed appropriations from the Opioid Abatement Fund and PILOT Special Fund, announce a new proposed municipal revenue authority for town road spending, and provide an update on the ongoing debate about the timing for implementing Act 181.

Opioid Abatement Special Fund Appropriations

The House is expected to take action later this week on H.660(opens in a new tab), an act relating to fiscal year 2027 opioid abatement special fund appropriations.

Revenues to the opioid abatement 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 FY27 are available here(opens in a new tab).

The appropriations for FY27 made in H.660 total $6,317,277 (including prior year adjustments) and are generally in line with the committee's

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recommendations, and include:

Annual funding to Vermont Department of Health (VDH):

- $455,000 for outreach and engagement: funds 26 outreach/case management staff in preferred provider network
- $1,600,000 for VARR(opens in a new tab) certified recovery residences
- $850,000 for syringe services programs

One-time funding for existing programs:

- $1,100,000 for peer recovery coaches at the Deptartment of Corrections
- $250,000 for homeless shelter harm reduction supports with the Office of Economic Opportunity
- $900,000 for new recovery residence beds (via VDH) and $300,000 for new NARR certified beds in Brattleboro, Middlebury/Addison, Randolph, Chester, St. Albans, or other identified regions

One-time funding for new programs:

- $248,000 for EMS Buprenorphine PREVENT Program (via VDH) to expand EMS training to administer buprenorphine after naloxone

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- $35,000 for Rutland Mental Health Services transitional housing room & board subsidies

- $237,646 for Springfield Project Action – a Public Safety Enhancement Team – to support coordinator positions in Bennington, Springfield, Brattleboro, St. Johnsbury, and Central Vermont (via VDH)

- $288,935 for Elevate Youth Services (Barre) for a low-barrier drop-in teen center

- $124,999 for Greater Falls Connections for expanded youth engagement, staffing, and prevention programming space

- $200,000 for Friends for Change (Windham County) for youth access to therapy, crisis, housing, medical, recovery, and employment supports

- $26,697 for Winooski Partnership for Prevention for medicine safety education for elementary-aged youth

Proposed New Local Option Tax for Town Road Funding

Last week the chair of the Senate Committee on Transportation, Senator Richard Westman, revealed a new outside-the-box proposal to help municipalities fill transportation funding shortfalls.

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In Governor Scott's proposed budget, total proposed "Town Highway" program aid is down by over $7 million, or -7.3%, from $96,665,344 in FY26 to $89,648,226 in FY27. As we reported in our Legislative Preview(opens in a new tab), the overall $30 million revenue gap in the state Transportation Fund is made even more concerning as transportation construction and paving project costs have risen by 40-60% over the last five years.

The Senate proposal includes a new municipal authority to assess a "Local Option Municipal Services Tax". The new taxing authority would work like a 1% Local Option Tax (LOT), but the portion retained by the state would be dedicated to a new "Local Option Municipal Transportation Special Fund" instead of funding going to the Payment In Lieu Of Taxes (PILOT) fund. In the current draft language(opens in a new tab), first introduced on Wednesday, February 11(opens in a new tab):

- Municipalities would be allowed to hold a vote to impose an ***additional*** 1% local option tax on one or more of the currently allowed taxes (Rooms, Meals, Alcohol, and Sales).

- 50% of the collected tax would be returned to the municipality without charging an administrative fee (whereas the current Vermont Dept of Taxes LOT fee is $5.56 per return).

- 40% of the collected tax would be deposited into the new Local Option Municipal Transportation Special Fund and that fund would be used solely to provide state transportation aid to municipalities.

- 10% of the collected tax would be deposited into the PILOT fund.

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- Future disbursements from the Special Fund would be in addition to the existing statutory minimums for Town Highway Aid funding.

- $3 million would be appropriated from the FY27 PILOT fund to the Agency of Transportation to provide additional grants through the General Sate Aid to Town Highway program.

Since the start of the session, we have said we would support any effort to address this year's transportation fund budget shortfall and minimize its effect on municipalities. VLCT is always supportive of efforts to grant new municipal revenue funding authority. This proposal might not be perfect, but it's a good place to start!

We will be working, over the next few weeks, with both transportation committees to suggest improvements and maximize the municipal benefits in this proposal. Stay tuned and give us your thoughts at jhanford@vlct.org (opens in a new tab) and ssheehan@vlct.org.(opens in a new tab)

State Appropriations to Rob the PILOT Special Fund

According to the state's FY25 end-of-year Special Fund Report(opens in a new tab) issued in November, the PILOT Special Fund (SF#21485) has a surplus of more than $15 million. This money is from local revenues generated by Local Option Taxes (LOT) on meals, rooms, sales, and alcohol and retained by the state for the purpose of making annual Payments in Lieu of Taxes for state-owned buildings and lands.

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As the PILOT surplus has grown over the last two years, VLCT has held concerns that legislative appropriations would rob the special fund for non-municipal purposes or priorities – and has advocated that the surplus be returned to the more than 30 municipalities that raised it.

In the governor's FY27 budget, he recommends that $3.5 million of PILOT surplus be used for the state expenses related to property appraisal and the equalization study which is used to set the state education fund property tax rate. The House Committee on Appropriations agreed with this $3.5 million in their version of the budget, and doubled down, taking another $3.5 million for the same purpose in their FY26 Annual Budget Adjustment (BAA), which has passed the House. **These appropriations would use half of the available PILOT Special Fund surplus for the purpose of setting the statewide grand list.**

Municipal leaders understand the acute budget challenges facing state appropriators this year. As state property taxes have increased more than 40% over the last five years, local budgets have suffered under the same driving budget pressures including the rising cost of health insurance and other benefits, high interest rates, sustained inflation, and increased salary and professional costs from a diminishing local workforce. That is why so many more towns are voting on create or add a Local Option Tax at their town meeting this year. Waitsfield, Milton, Swanton, Chester, and Morristown will consider LOT adoption. The town of Stowe will take up a charter change that would establish a unique 2% LOT authority.

Local Option Taxes are one of the rare non-property revenue authorities that Vermont municipalities can use to alleviate the ever-growing property tax burden on Vermont families and businesses. **VLCT objects to appropriation**

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of the existing PILOT Special Fund surplus for annual payments to municipalities for property valuation and grand list maintenance.

The work of maintaining and setting up the state's grand list falls primarily on volunteer municipal listers and appraisers, many of whom are unpaid or receive moderate stipends. **The current annual per parcel payment amounts granted to municipalities fall far short of the true cost of mass reappraisal**, now required to be conducted every six years. Municipal governments are obligated to set the grand list for the purpose of setting the state education tax rate – and are required to collect those taxes. Furthermore, municipalities must remit state property tax payments regardless of whether the property owner falls delinquent(opens in a new tab) .

Given the high rate of state property tax increase over successive state budgets, more Vermonters are unable to pay their taxes, which creates an added cost for municipal budgets. Many municipalities are carrying forward hundreds of thousands of dollars of deferred revenues from delinquent property taxes in their FY27 municipal budgets. This burden is in turn passed on to Vermont taxpayers through the municipal property tax rate.

Revenues created by the 38 Vermont municipalities using LOT should not be paying for any statewide expense – least of all for the current statewide property valuation and tax collection system which already overburdens local budgets. These are local revenues created by voter authority.

We urge the legislature to reverse course and **find a more appropriate revenue source** from within the state's general fund or education fund **to support costs related to the state's property valuation system**.

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Act 181 Hearings Continue

Last week opened with a press conference hosted by the leaders of the nonpartisan Rural Caucus calling for legislative action to slow down Act 181 implementation for the Road Rule and Tier 3 jurisdiction.

VLCT Director of Intergovernmental Affairs Josh Hanford spoke at the press conference saying: "When town officials look at the draft Tier 3 map, they fear that this sweeping new Act 250 jurisdiction will freeze their community in amber. The draft rule would create new duplicative permit requirements along key highways and in existing neighborhoods for types of construction as incidental as a garden shed or one-car garage – as well as for the new housing that towns need, want, and allow in local zoning. If the state is going to apply Act 250 to 80% of the land area in Vermont, then local officials and citizen planners need time to see and understand what the LURB [Land Use Review Board] proposes while they make decisions about future Tier 1 areas that could be Act 250 exempt. VLCT urges the legislature to take action this session to slow down Act 181 and make sure we are striking the right balance between environmental protection and smart growth."

At least Senate leaders have heeded their call, as the Senate Committee on Natural Resources and Energy continued to hold joint hearings throughout the week on Act 181 along with the committees on transportation and economic development.

The VLCT advocacy team testified twice at the joint hearings, first on Tuesday (opens in a new tab) regarding our concerns related to the Road Rule and Tier 3, and again on Friday(opens in a new tab) regarding the process for the

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adoption of Tier 1A and Tier 1B areas.

VLCT is calling for legislative action this session to:

- extend temporary Act 250 exemptions to the end of 2030 or until a municipality receives Tier 1A approval,
- eliminate requirement for Tier 1A municipalities to enforce existing Act 250 permits,
- delay Tier 3 Rule and Road Rule Guidance to November 2026, and
- delay Tier 3 and Road Rule implementation to July 2027 (currently road rule to take effect July 2026, Tier 3 December 2026).

Most stakeholders who have testified, including the Vermont Natural Resources Council (VNRC), have agreed that **the current timeline for Act 181 implementation is misaligned** and will support deadline extensions for the Road Rule and Tier 3 rulemaking and guidelines.

What We're Reading

Here are some recently released reports and news stories related to top issues for local government.

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- Report from Act 73 of 2024: Regional Assessment Districts(opens in a new tab), Vermont Department of Taxes
- Health Department Opioid Abatement Special Fund Spending Recommendations State Fiscal Year 2027(opens in a new tab), Vermont Department of Health
- March Bond Requests Down 84% in Vermont's Biggest Cities and Towns (opens in a new tab), VTDigger
- In the Vermont Statehouse, Committee Chairs Wield Tremendous Power (opens in a new tab), Seven Days
- Elmore Budget has Increased Costs, but A Little Extra Revenue(opens in a new tab), News & Citizen
- Vermont Town Saves the Nation's Longest Ice-Skating Trail(opens in a new tab), NBC 5

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.

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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 23 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.

- 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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