February 25, 2026: Town Meeting Week Advocacy Guide

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With Town Meeting Day and the legislature's annual crossover break just a few days away, in this *Weekly Legislative Report* we prepare you to meet with your local lawmakers and advocate effectively for the most urgent issues for local government.

Make the Most of Town Meeting Week

Next week's legislative recess means lawmakers will be back in their home districts to meet with constituents. Our advocacy team has worked hard over the last several months to push for VLCT's top priorities. We need your help talking to legislators about these top concerns. Here are some tips and tricks for how to set up effective advocacy conversations in the week ahead.

- **Start today!** Email your local representatives and senators this week with a summary of your top issues and invite them to in-person meetings over the break. You can find their contact information at the legislature's website.
- **Understand how they can help**. Look up what committees they serve on and highlight VLCT's top issues that are under their committee's jurisdiction. Keep reading this *Weekly Legislative Report* for a rundown of our top bills this session.
- **All politics are local.** Connect the issue you care about to statewide impacts and show legislators the local effects of a bill or proposal. Be as specific and as factual as possible, using local stories and data to support your point.
- **Anticipate questions and criticisms about your position and the potential cost of it**. Emphasize that if the directive is not funded at the state level, it will require increased property taxes.

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- **Don't just tell them, show them.** If you're talking about transportation funding, consider a walk-and-talk along an important town road or sidewalk in need of repair – or if you have concerns about Act 181 implementation, set up a time to meet at a local business inside your designated center (aka future Tier 1B area). Invite engaged and informed citizens to join the conversation.
- **Follow up**. Send an email thanking them for their time and attention to local issues, and make sure you are timely in providing any additional materials they may have requested. If you ask a legislator to take specific action (like offering bill amendments or voting for a bill supported by VLCT), follow up in time for key legislative milestones including before votes by the committee and the full chamber.

Build Housing

For several years, the top concern reported by local officials in VLCT member surveys has been the availability and affordability of housing. Our list of legislative priorities includes a number of zoning and land use related legislative actions, a new municipal taxing authority for short-term rentals, brownfields investment, and a request to match state property tax relief with municipal stabilization agreements to support the development of infill-scale housing.

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Support Passage of H.775, an Act Relating to Creating Tools for Housing Production

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:

- **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.

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- **Increase state investment in housing creation.** The bill proposes increasing from 10% to 12.5% the cash funds available to the state treasurer to invest in housing development, through the "10% in VT program".

H.775 would put more levers in the hands of local government to accelerate and invest in public infrastructure and housing creation. The bill has passed the committee of introduction and was referred this week the House Committee on Government Operations. It is expected to pass the House before the crossover deadline.

Support S.325 and H.730 Relating to Act 181 and Tiered Act 250 Jurisdiction

VLCT and many municipal leaders have continued to express serious concerns with the ongoing implementation of Act 181. According to Act 181, the current temporary Act 250 exemptions will expire in roughly ten months from now – on January 1, 2027 – at which time the new location-based jurisdiction system should be established.

Under the new tiered jurisdiction framework, the Road Rule will trigger Act 250 review for any construction that happens more than 800 feet from an existing road, or where a combined 2,000 or more feet of new road and new driveway is required. This creates a massive new jurisdictional trigger for Act 250 that could affect areas of Vermont that are currently light density residential neighborhoods and/or are transitional and planned for future growth.

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The Road Rule applies Act 250 (as intended) to existing forest blocks and encourages new development to happen within 800 feet of an existing road. Tier 3, on the other hand, regulates "habitat connectors" by creating new jurisdictional areas around roads where the majority of land on both sides has tree cover and is considered a high priority forest connectivity block (per Vermont Conservation Design). This potential new Tier 3 area includes significant stretches of state highway and Class 2 roads, including areas where the state highway serves as a main street. **So, yes, you read that right: the Road Rule and Tier 3 create new jurisdiction away from existing roads as well as along roads.**

Two bills have been introduced that would make important changes to Act 181. In the House H.730 has been referred to the House Committee on Environment, and in the Senate S.325 has received a number of recent hearings in the Senate Committee on Natural Resources and Energy.

VLCT supports both legislative proposals and is specifically calling for action to:

- Extend temporary Act 250 exemptions to 2030.
- Require Road Rule guidance and the Tier 3 Rule to be reported to the legislature this fall.
- Delay implementation of the Road Rule and Tier 3 jurisdiction to July 2027.
- Eliminate requirements for municipal enforcement of existing Act 250 permits within Tier 1A areas.

Lower Property Taxes

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Return the Growing PILOT Surplus

Throughout this biennium, the VLCT Advocacy team has called for a return of the growing PILOT special fund surplus to the communities that raised it. According to the state's FY25 end-of-year Special Fund Report issued in November, the 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.

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.

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.

Revenues created by the 38 Vermont municipalities using LOT should not be paying for any statewide expense – least of all for the current statewide

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property valuation and tax collection system which already overburdens local budgets. These are local revenues created by voter authority.

Urge your local lawmakers to oppose the planned appropriations of the PILOT Special Fund in the FY26 BAA and FY27 Budget and to **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**.

Create a Monetary Cap for Municipal Liability

VLCT has an important piece of unfinished business from 2025, and that is passage of H.138, an act relating to maximum liability of municipalities. H.138 was sponsored and introduced by House Judiciary Chair Martin Lalonde and freshman Representative Ian Goodnow – but has remained on the wall in the House Committee on Judiciary ever since. We are running out of time to see passage of this important bill which would protect municipal budgets and taxpayers from substantial monetary liabilities.

While the majority of public services are delivered by municipal government, only state government enjoys liability protection. **The absence of a monetary liability cap for municipalities is affecting the insurability of some critical public infrastructure (such as dams and recreation facilities) and imperiling the ability of local government** to deliver the public services that Vermonters want and need.

Issues of insurability for municipalities have halted plans for skate parks and complicated plow routes, and they could jeopardize accessibility to other public facilities such as swimming pools, sports fields, playgrounds, and

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pedestrian infrastructure. **A liability cap for municipalities would not affect the ability of victims of crime or civil rights violations to pursue compensation for damages**.

Fund and Fix Municipal Roads

Restore Town Highway Funding

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. Meanwhile, construction costs related to transportation projects have increased by over 60% since the pandemic. This chronic underfunding of critical state and local infrastructure will only compound in future years. The Agency of Transportation forecasts that if current funding levels are maintained, more than 60% of Vermont pavement will be rated in poor or very poor condition by 2030.

Following the governor's budget address, Vermont Agency of Transportation Secretary Joe Flynn presented the agency's $934 million budget to a joint hearing of the House and Senate Transportation Committees. Flynn's testimony began with a sobering update: in order to present a balanced budget, the agency plans to eliminate an additional 31 staff in fiscal year 2027. This is in addition to the 31 positions let go this past fall to true up the fiscal year 2026 budget, for a total reduction in force of 62 budgeted positions (27 of

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which are currently vacant).

This should raise a serious alarm for anyone doubting how serious the Vermont transportation fund revenue shortfall is. In addition, this not-so-rosy budget picture assumes the legislature will support a controversial $10 million Vehicle Purchase and Use Tax revenue transfer back from the education fund to the transportation fund. In just the last five years, Vehicle Purchase & Use Tax deposits into the education fund have totaled $225 million, which could have generated almost $2 billion more in an 80-90% federal transportation funding match over that time.

That is worth repeating: **the state's efforts to buy down property taxes using transportation revenue has cost us $2 billion in federal investments over five years.**

The current FY27 budget shortfall of $33 million across transportation fund programs puts $163 million of anticipated federal funding at risk.

Our message is clear: the best time to spend a dollar on transportation was yesterday; the second-best time is today.

Support Enhanced Local Option Tax Authority for Local Roads

The VLCT Advocacy team has recently testified on a new proposal in the Senate Committee on Transportation that would create 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

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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 :

- 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.
- 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.

VLCT's Josh Hanford testified last week in favor of the "Local Option Municipal Services Tax", but recommended a more favorable formula to retain 75% of the new revenue with the municipality that raised it (like with existing LOTs) and to deposit the remainder into the new fund for Town Highway programs – with none going into the ever-growing PILOT Special Fund surplus.

VLCT always supports new municipal revenue authorities, especially those that will not burden the municipal property tax rate and can be used to build and maintain local roads and transportation infrastructure.

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Municipal Regulation for Some Agriculture

Check back! Latest update coming soon!

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, March 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.

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