April 20: Big Moves – House Reverses Course on the Road Rule, Senate Adds Local Option Tax Funding to Town Highway Aid in T-Bill

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Crossover week is in the rearview mirror, and the legislature and governor appear to be on a collision course over education reform. VLCT appreciates that other policy committees are staying the course, so that critical bills related to housing, land use, public safety, and workforce are moving forward.

In this *Weekly Legislative Report*, we announce a tectonic shift in the debate around Act 181 reform, update you on passage of this year's road salt reduction bill, and discuss a revised proposal that would use future local option tax surplus for town highway aid.

We also invite you to join us in Montpelier this Thursday, April 23 for VLCT's **State House Municipal Advocacy Day**(opens in a new tab).

Road Rule and Tier 3 Likely to be Repealed

As we have reported for the last several weeks, opposition to certain provisions of Act 181 continued to grow and intensify among the public and within professional advocacy groups working within the State House. Groups that testified against the road rule and Tier 3 included the Land Access Opportunity Board, the Vermont Farm Bureau, the Vermont Conservation Districts, the Vermont State Chamber, and Let's Build Homes.

Lawmakers heard testimony and received letters, calls, and emails from farmers, foresters, selectboards, realtors, business owners, and homeowners. Although many of these commenters shared enthusiasm for the intent of Act 181 – to protect vital natural resources while encouraging new housing development along historic settlement patterns – nonetheless, most opposed the road rule and Tier 3 framework. Just a few months ago, Act 181 was a

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relatively obscure and largely unknown land use law. The rapid coalescing of such a diverse range of stakeholders around a unified policy position is something rarely seen in Montpelier, and it was impossible to ignore.

Last Friday, House Enviornment Committee Chair Amy Sheldon said(opens in a new tab) "We don't need our shared interest in protecting our environment to divide Vermont, particularly at this moment," and went on to say "I'm looking at repealing the road rule and the Tier 3 and revisiting how we structure that."

The committee discussion that followed was at times mournful, with several Democratic representatives lamenting that a failed public process created by Act 181 and administered by the LURB had come up short. The committee agreed that the road rule and Tier 3 had become toxic, that public trust had been lost, and that the best way forward is to repeal the two provisions and start over. Lawmakers reassured each other that repeal would not be a roll backbecause municipal regulations, state environmental permitting, and the prior Act 250 jurisdictional triggers would all remain intact.

Later, Speaker of the House Jill Krowinski said(opens in a new tab) "These conversations have highlighted a critical issue: while some aspects of the law are working, there are some that are not. Following extensive feedback from communities across Vermont, it is clear that the 'Road Rule' and 'Tier 3' need to be repealed".

These statements are extraordinary.

Act 181 was passed in 2024 by a veto-override of the super majority. The law represented the first significant change to the Act 250 regulatory regime in over 50 years – and was itself the culmination of more than a decade of

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legislative study and public debate. Some elements of Act 181 had made it past rule making and were in the early stages of implementation (such as future land use area mapping and Tier 1b approval) while the rules and guidelines for the road rule and Tier 3 were still in draft form. Such a dramatic mid-stream shift by legislative leadership is extremely rare and certainly could only be achieved with the support of a broad, multi-partisan coalition.

For VLCT's part, at the regular April board meeting last week the board voted to amend our municipal policy position and to support full repeal of the road rule and Tier 3.

Following months of legislative testimony, comments from municipal members, and an increasing number of votes in favor of repeal by local selectboards, it is clear that enacting these new jurisdictional triggers would do more harm than good.

The work of the House Environment Committee on S.325 will continue, and it remains unclear whether they will choose to enact new replacement policies aimed at preventing forest fragmentation and protecting the natural resource types enumerated in the Tier 3 framework – or to conceive a new public engagement process to inform future legislative action.

S.325 also carries a number of other important changes to the law, including extensions to the temporary Act 250 exemptions for housing development and changes to the future land use area definitions relating to Tier 1 that are

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supported by VLCT and VAPDA.

VLCT will continue to watch this bill closely and support further reforms to Act 181 that will help all Vermont communities gain the housing they want, need, and allow for in local regulations.

Change in Transportation Bill for Local Option Tax Waterfall, Town Highway Funding

Since crossover, the Senate Transportation Committee has been diligently working to advance the annual transportation bill, H.944, which is in a race to beat the more controversial education reform package to hearings in the Senate Finance and Appropriation committees.

Late last week, the committee discussed draft language to create a new Local Option Municipal Transportation Special Fund(opens in a new tab). This fund would:

- be created using an initial one-time appropriation of $3 million from the existing PILOT Special Fund surplus (whose current surplus is over $13 million)
- in future fiscal years receive 75% of new annual surplus available after statutory appropriations had been made.

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This proposal closely reflects one made by the House Transportation Committee that was later stripped from the House version of the bill by the Ways and Means committee. See the new proposed language beginning on page 12 of draft 3.1 of the transportation bill here(opens in a new tab).

Although VLCT originally supported the concept of using new future years' surplus to increase town highway aid funding, the current proposal has a "flaw in the slaw": the committee's discussion of the new projections for the PILOT Special Fund balance(opens in a new tab) made clear that they expect the Senate Finance and Appropriations Committees to *also* make a new statutory use of the LOT revenues for the state's expenses for reappraisal and property tax setting.

You may remember from our crossover week reporting that the governor's recommended budget included making the state's annual per-parcel payments for reappraisal and grand list equalization an ongoing use of the PILOT Special Fund. The House Committee on Ways and Means included this change in the miscellaneous tax bill – and as a result of VLCT's advocacy and opposition, a floor amendment brought forward by Representative Sibilia was accepted, to keep the one-time appropriation of $3.4 million but remove the provision to make this an annual use of the fund. It appears that the Senate money committees wish to put that ongoing appropriation back in.

This means that these local option tax revenues held by the state would first be used for PILOT fee payments, then for reappraisal costs, and 75% of the *remaining* surplus would go to the Local Option Municipal Transportation Special Fund. JFO projects that figure would be only $486,000 of the total $16,650,000 revenues in FY28. Furthermore, under this appropriation framework, the PILOT Special Fund would continue to carry a more than $10

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million surplus.

VLCT has long advocated that to address the growing surplus the legislature should (1) first adjust the LOT withholding formula so the state would take less and more money would stay in the local communities that have adopted LOT, and (2) return future surplus revenues to municipalities as *new* appropriations – not as replacement revenue to fund the state's current obligations for fees and payments related to reappraisal(opens in a new tab).

While the Senate Transportation Committee will continue to discuss other sections of the transportation bill this week, they officially voted the bill out on Friday, and it has been referred to the Senate Finance Committee.

If you serve a municipality that has authorized local option taxes and you have ideas about how the state should spend those revenues, contact your state Senator today!

Salt Bill Passes Without Adequate Protection for Municipalities

Last week, we reported(opens in a new tab) on bill S.218,(opens in a new tab) an act relating to reducing chloride contamination of State waters, and a proposed amendment to the bill sponsored by Rep. Michael Boutin of Barre and supported by VLCT.

The proposed legislation would create a new chloride reduction program at the Agency of Transportation, initially costing VTrans $700,000, and would create an "affirmative defense" for salt applicators who

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complete the trainings – to protect against liabilities from slip and fall events or traffic accidents. However, VLCT assesses the liability protection provided in S.218 to be totally inadequate.

Over the course of the week, the VLCT advocacy team toured House committees with two separate proposed amendments, each that we supported, and that would have provided municipal salt applicators with the same liability protections that state government has enjoyed for all tort claims since 1961. In our testimony to the House Judiciary Committee(opens in a new tab) (at 1:07:10) and House Environment Committee, we made it clear that while VLCT shares support for the intent of the bill, we have been unable to support it due to the inadequate liability protections for municipalities.

In order to be protected from lawsuits under S.218, a municipality would have to prove that:

- the municipal salt applicator completed the Vermont Local Roads curriculum in that calendar year;
- the claimed damages were caused solely by snow or ice;
- any failure or delay in removing or mitigating the hazard is the result of the municipal salt applicator's implementation of the best management practices learned under the Vermont Local Roads curriculum;
- the civil damages were not due to gross negligence or reckless disregard of the hazard; ***and***

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- the municipality kept a record describing its road, parking lot, and property maintenance practices, consistent with the requirements determined by the Secretary, including the type and rate of application of salt and salt alternatives used, the dates of treatment, and the weather conditions for each event requiring deicing. Under the law, such records shall be retained for three years.

The proposed amendments would have made sure that if a municipality facing a tort claim resulting from the chloride reduction program failed to meet the standard for the "affirmative defense", they would be provided the same liability caps that state government receives for all property and causality liabilities under the Tort Claims Act. The only testimony offered to oppose the amendment was given by the Vermont Association for Justice (opens in a new tab).

Lawmakers who discussed the proposed Boutin amendment* stated that the issue of tort liability and insurance was too complex to be considered through amendment and they once again pledged to take up the issue next session. Allow us to remind you that we testified on this issue several times last session, in both committees. Regardless, the committees failed to find the amendment favorable by straw poll votes and the amendment failed on the House floor on third reading of the bill.

The House passed S.218 along party lines, with 85 yeas and 54 nays, and the Senate later voted to concur – sending the bill to Governor Phil Scott. The governor has five days to sign the bill into law, allow it to pass without signature, or veto it.

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*Copy/paste link into your browser to view.
https://legislature.vermont.gov/Documents/2026/Workgroups/House%20Judic...

State House Municipal Advocacy Day April 23

Join VLCT for our **State House Municipal Advocacy Day on Thursday, April 23**. This is your opportunity to meet directly with your state representatives or senators, attend a joint committee hearing on municipal transportation topics, and help Vermont's communities inform critical policy decisions before the legislature this session.

This is a come-and-go opportunity: whether you participate in breakfast, networking, meetings, or hearings, your engagement strengthens VLCT's collective voice and amplifies the priorities of Vermont's towns and cities.
Register Now!

Tentative* Agenda for State House Municipal Advocacy Day April 23, 2026

8 AM to 9:30 AM in the State House Cafeteria: Network with legislators, enjoy a light breakfast (coffee, tea, pastries), and mingle with your peers.

10 AM to 11:30 AM: Attend a joint hearing of the House and Senate Transportation committees. Local officials interested in testifying on transportation related issues, opportunities, and challenges will please

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register and let us know your interest in testifying. Email jhanford@vlct.org and ssheehan@vlct.org.

11:00 AM to 11:30 AM group photo in the Cedar Creek Room

Noon to 12:45 PM in VLCT's Vermont Room: Light lunch for those members in attendance.

1 PM to 2 PM in VLCT's Vermont Room: Debrief, discuss policy in action, and join the **in-person Advocacy Chat**.

What We're Reading

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

- Unpaid Taxes Are Stressing Local Budgets in Pockets of Vermont(opens in a new tab), Seven Days
- Vermont's Roads Are in Rough Shape — and Likely to Get Worse(opens in a new tab), Seven Days
- Vermont House Poised to Roll Back Portions of Act 181(opens in a new tab), VTDigger
- Capitol Recap: House Approves Education Reform Bill that Scott Plans to Veto(opens in a new tab), Vermont Public

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- As Vermont Rolls Out Act 181, Builders Face Hurdles To New Housing (opens in a new tab), Caledonian Record

- Weinberger: Are We Serious About Addressing the Housing Shortage? (opens in a new tab), Rutland Herald

Get Involved

With work in the State House continuing apace, 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 to attend our next bi-monthly chat here(opens in a new tab), or join us in person in Montpelier on April 23(opens in a new tab).

- You can find (and share) this legislative report as well as previous 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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