

## VLCT POLICY MEMO

To: Members of the Senate Committee on Appropriations, Members of the House Committee on Appropriations, Members of the Senate Finance Committee, and Members of the House Ways and Means Committee

From: Ted Brady, Executive Director, VLCT *Ted Brady*

Date: March 18, 2026

RE: Appropriation of PILOT Special Fund Surplus for Grand List Costs

On behalf of the fifty-plus cities and towns that have voted to impose local option taxes on themselves, as well as every single city and town in Vermont, I write to object to the use of PILOT Special Fund Surplus, funded with local option taxes, to fund property valuation and grand list maintenance as proposed in the 2027 budget. Property valuation and grand list maintenance is a shared state and local responsibility, and the state should fund its portion of that liability with state revenue, not local option tax revenue.

These funds were raised by local governments for local priorities, with the understanding that a portion of those funds would also fully-fund PILOT payments to local governments. When the fund generates a surplus, the formula that funds the PILOT Special Fund should be adjusted, as it was last year, and should be again this year. Further, should the Legislature decide to appropriate any of the Special Fund for other purposes, VLCT feels strongly that it should only do so in partnership and consultation with the cities and towns that raised the funds.

The PILOT Special Fund surplus has nearly tripled in the past four years. In 2022, it was \$5.1 million. The Joint Fiscal Office predicts it will be \$13.25 million in fiscal year 2027, though VLCT believes it is likely to be even higher as a dozen and a half towns have adopted a local option tax in the past two years alone. This is why in 2025, VLCT advocated, and the Legislature agreed, to increase the portion of the local option tax cities and towns could retain from 70 percent to 75 percent. At the time, the Joint Fiscal Office and some legislators said the state couldn't afford to let towns and cities retain more than 75 percent for the fiscal health of the PILOT Special Fund. Now that the Governor and the Legislature agree that the PILOT Special Fund does have a surplus in it, the first step should be to increase the local retention to 85 percent.

VLCT is eager to work with the Legislature to ensure any remaining surplus in the fund after adjusting the retention rate is appropriated to the benefit of Vermont's municipalities. We urge you 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.