

2023 Legislative Preview

This preview of Vermont's 2023 legislative session discusses the municipal priorities that we will promote as the new biennium begins: reducing restrictions on new housing, updating the Transportation Fund's revenue streams, reducing municipal reliance on property tax, and more.

Karen Horn, VLCT Public Policy & Advocacy Director

Gwynn Zakov, VLCT Municipal Policy Advocate

Ione L. Minot, Proofreader

[Introduction](#)

On January 4, 2023, a new legislature will be sworn in and seated in the Vermont State House. We will have a new attorney general, state treasurer, and secretary of state as well as a lieutenant governor who is returning after a two-year hiatus. In the Senate, eleven new senators will be seated along with nineteen incumbents. Interestingly, all incumbents who ran for office won their races, and the newcomers are all from either new districts – created in 2022 during redistricting – or districts in which the incumbent did not run.

In the House, there are 104 Democrats, 38 Republicans, 5 Progressives, and 3 independents. In the Senate, there are 22 Democrats, 7 Republicans, and 1 Progressive. New to representing their districts are 51 legislators: an enormous number of people who will need to learn the legislative ropes. At least 25 of those have local government experience, proving that often the path to becoming a state legislator begins with service to local government.

Governor Scott won his re-election with 71 percent of the vote, which certainly sounds like a mandate for action. Vermonters also elected a supermajority of Democrats to the legislature and now have the numbers needed to override a gubernatorial veto. The dynamic between the executive branch and the legislature during the next two years will determine much of the state's direction and which among the pressing issues Vermonters face will be taken up by legislators.

The incoming legislature faces a host of issues upon arrival to the State House in January, some new but many recurring. And in the next few years there will not be the flood of federal funding coming into the state to help address intractable problems. The job of the House and

Senate Appropriations Committees in meeting state budgetary needs and funding legislative priorities will again be tremendously difficult as they work with the current reality of federal dollars and set the stage for the end of those funding streams.

The high rate of turnover in the legislature will also affect several committee chair assignments because the sitting chairpersons are retiring. In the House, the chair of the Appropriations Committee will be new to that role, as will the chairs of the Agriculture and Forestry, Education, Energy and Technology, Government Operations, Health Care, Human Services, Judiciary, and Ways and Means committees. It is also likely that some of the committees will be reconstituted with new areas of jurisdiction. On the Senate side, the chairs of the Economic Development, Housing and General Affairs; Government Operations; and Institutions committees will be new to their roles.

The legislative Income-Based Education Tax Study Committee has been assessing what a transition to an income-based Education Fund tax for homestead properties would look like. That six-member legislative committee is charged with making recommendations for the development and implementation of such a system. Their report is due to the legislature by December 20.

Legislators will again try to facilitate affordable housing construction with funding and proposals for pre-emption of local land use regulation. Finding ways to resolve the crisis in law enforcement and emergency medical services recruitment, retention, training, and accountability is critical — as is finding an acceptable resolution to the issues raised by the current dispatch system.

The Transportation Fund depends on gas taxes for much of its revenue, and gas consumption is decreasing over time. Meanwhile, local governments are calling for increased support for transportation and stormwater mitigation needs, and Vermont's Climate Action Plan calls for moving away from fossil fuels. Thus, the legislature will need to join the conversation on diversifying the Transportation Fund yet again.

You can read about all these issues and more in this written Legislative Preview. Join us to follow legislative activities during the session through the Weekly Legislative Report and biweekly interactive video Advocacy Chats. Our special Preview chat is on December 19. Please take a moment to register now at vlct.org/training-events.

Although legislative leaders plan to meet in person, they will retain the features developed throughout the COVID-19 pandemic to live stream meetings in real time and to provide opportunities for testimony on Zoom. These conveniences made the State House and the legislative process much more accessible to Vermonters and made it possible for those legislators who had COVID-19 to continue to participate in committee meetings. The legislative website, legislature.vermont.gov/, is where you will find information about your legislators, committee members and schedules, links to live and archived streams of meetings on YouTube, and lists of bills and new versions of bills as they wend their way through the House and Senate. **Bookmark the legislative website – it is an invaluable resource!**

We are excited for the legislative session to begin, and we are delighted you are joining us on the fast-paced and sometimes rocky journey through the spring.

Resources for this article:

- [VLCT's 2023-2024 Legislative Priorities](#)
- [VLCT Legislative Policy](#)

[Open Meeting Law Remote Meetings](#)

During the pandemic, the legislature had to act swiftly and enact temporary legislation allowing public bodies in state and local government to meet in fully remote settings. Hybrid meetings have always been permitted under Vermont's Open Meeting Law, but the temporary option to meet fully remotely sunsets on January 15, 2023. State agencies, departments, and associated boards and commissions as well as local government committees, subcommittees, boards, and commissions have taken advantage of this temporary provision of law included in [Act 78](#) from 2022. Although many of these public bodies have moved to hybrid meetings, many boards, committees, and commissions have found fully remote meetings to be the ideal meeting format when board or committee members are ill, restricted due to quarantining, away, or otherwise unable to physically attend a meeting, or when bad weather intervenes. This will no longer be an option in less than a month.

A priority of VLCT for 2023 is that the legislature amend the Open Meeting Law to make fully remote meetings a permanent, voluntary option under 1 V.S.A. Chapter 5, Subchapter 2. Many public bodies have found fully remote meetings to be more convenient for members and the public, sometimes safer, and often able to generate more public

participation. Particularly smaller public bodies – those that meet infrequently, are “ad hoc,” or are not decision-making bodies – find great value in the fully remote option. It is more convenient, allows participation during inclement weather or when potential mild illness presents itself, and allows members and the public to participate while staying aware of household needs. The fully remote meeting option has made meeting quorum requirements substantially easier and allowed the business of government to proceed with no undue interruption. It makes sense that the Open Meeting Law meet the needs of most Vermonters and allow each public body to determine what format is best for both its operational needs and public participation. Not all public bodies will take advantage of this, but those that find it most helpful should be afforded that option. Concerns about how fully remote meetings will affect individuals who don’t have reliable internet access may be addressed with a requirement that telephone access be an option for participation.

This change in law will not only be welcomed by many local officials: it will also greatly benefit the multitude of state entities and dozens of state sanctioned boards, committees, and commissions that continue to take advantage of the fully remote meeting option. VLCT is hopeful that the 2023 legislature will prioritize this issue early in the session, as the previous legislature did during the pandemic.

It is unclear how much of a priority this will be with the legislature this year. VLCT continues to hear concerns from local officials about the pending sunset of this temporary law. The VLCT membership and board not only included this position in VLCT’s 2023 Legislative Policy but also elevated it to a [“priority” item](#) for the legislature in 2023. You can help to elevate the issue when you speak to your newly elected legislators.

Resources for this article:

- [Act 78 of 2022](#)
- [VLCT 2023-2024 Legislative Priorities](#)

[Housing](#)

The combination of factors contributing to the current housing crisis in Vermont and across the country is daunting. In Vermont, the complex interplay of Act 250 and local zoning, along with Agency of Natural Resources permits for water, wastewater, and stormwater, Agency of Transportation permits for curb cuts (where applicable), and the opportunities those systems

present to appeal or oppose projects, creates a morass of opportunity for time-consuming appeals and expensive requirements. Moreover, increased costs of supplies and interest rates on mortgages along with shortages of labor and land all contribute to the current housing crunch, making it very difficult to build or re-develop housing at every level of the market.

At the “All Legislative Briefing” on December 7, in recognition of the critical nature of the housing crisis – and the fact that every legislator ran on increasing the supply as well as assuring equity in access to housing – Gus Seelig, Executive Director of the Housing and Conservation Trust, gave a [presentation](#) on the efforts to increase affordable housing and what will be needed to make housing units affordable.

We anticipate at least two housing-related bills to be introduced. Representative Bongartz will introduce a bill intended to ease the process at the local level for housing development and re-development and prioritize amendments to municipal zoning law. The mechanism in that bill would be to require many of the bylaw modernization actions that towns and cities around the state have recently undertaken, such as providing for multi-unit residential development in all districts. The bill does not address Act 250 in any meaningful way. There is likely to be an additional bill that focuses on legislation to help with housing development in smaller more rural towns and on providing resources to encourage building middle income rental and owner-occupied housing – the category of housing that is not being built today in any meaningful quantity. That would provide targeted funding to underserved communities, establish an alternative regulatory program for those communities, and add capacity at the local and regional level for planning and zoning.

Bylaw Modernization Grants are designed to help towns address provisions in their bylaws that may have been enacted many years ago to address the then paramount issues related to sprawl, a car- centered culture, resort area development, and growing in ways that build on the unique and vibrant character of communities. Today, bylaws are being amended across the state to reduce lot sizes; provide for more units per lot in different zoning districts; and revisit setbacks, parking requirements, building heights, and other standards that have been in place for years. Local planning commissions and the voters are making those changes in thoughtful ways that take into consideration the unique needs of different and often unheard voices. Given authority from the legislature, local boards could revisit the way in which new housing is incorporated into the “character of the area” as that term is defined in statute, and balance retaining a municipality’s unique character with the need to provide increased

housing opportunities.

Several amendments need to be made to Act 250 to eliminate unnecessary time-consuming and expensive permitting processes that duplicate local permits in designated areas such as downtowns, growth centers, village centers, and neighborhood development areas.

Legislation also needs to eliminate jurisdictional requirements that fill no meaningful purpose in the current extreme housing environment, such as claiming jurisdiction for projects that are within five miles of each other within five years and total more than ten units. Regrettably, those changes are not in any bill that we have heard of to date.

There will be lots of discussion of housing issues as the session unfolds on both the Senate and the House sides of the building. VLCT is calling for the following actions based on the Adopted Municipal Policy and Priorities.

- Eliminate Act 250 jurisdiction in designated downtowns, new town centers, neighborhood development areas, growth centers, and municipalities with robust zoning and development capacity.
- Eliminate the language in Act 250 that establishes jurisdiction based on “construction of housing projects constructed or maintained on a tract or tracts of land, owned or controlled by a person, within a radius of five miles of any point on any involved land and within any continuous period of five years.
- Authorize municipalities to establish vacancy tax surcharges for residential properties in town centers that have been unoccupied for an extended period of time and allowed to fall into disrepair.
- Eliminate 24 VSA 4465 (b)(4), the threshold for any ten persons to establish eligibility to appeal a municipal permit. This section of statute assures that municipalities and individuals in the area with an interest will have party status even after the ten-person category is eliminated.
- Disallow appeals that seek to reduce the number of units below the number allowed in the local zoning ordinance or bylaw.

- Allow the municipal bylaws to provide for administrative officer approval of minor subdivisions for residential purposes.

Resources for this article:

- [An Overview of Vermont's Housing Landscape](#) - 12/7/22 presentation by Gus Selig
- [Vermont's Housing Crisis: 2022 VLCT Municipal Action Paper](#)

The Plight of Public Safety

Every public safety sector is experiencing some level of crisis and the legislature needs to take action to slow the bleed. As with nearly the entirety of business, industry, and government, the number of vacant positions in fire, police, and emergency medical services (EMS) departments and agencies has grown to unprecedented levels that threaten the public's safety. Just as staff levels are stressed, calls for service in most regions of the state have increased in the recent pandemic years. Current staff struggle to carry heavier workloads, volunteerism is down, and positions once filled by everyday local volunteers are becoming increasingly difficult to fill. Interest in going into law enforcement as a profession has dropped significantly in Vermont and across the country at a time when we want to recruit and retain the best and brightest. Those individuals are choosing to either leave the profession or not pursue it in the first place because lack of public support is palpable. EMS agencies are struggling with poor wages, stressful working conditions, and the ever-increasing costs of providing services to Vermonters. The outlook is bleak. The legislature will almost certainly address several of these issues this coming biennium, and VLCT is hopeful that legislation will support recruitment, training, retention, and professional regulation of service providers.

Law Enforcement

Despite what may be the perception, Vermont is a leader in the nation in increasing professionalization and accountability for law enforcement officers and agency practices at the local and state levels. In 2017, Act 56 created new professional regulations in state law that apply to all law enforcement in Vermont. In 2020, Act 147, Act 165, and Act 166 addressed prohibited restraints, use of force standards, collection of roadside stop data, and

use of body cameras. Act 166 substantially restructured and expanded the Criminal Justice Council and required agencies to report credible complaints of professional misconduct to the Council. In 2021, Act 27 made further adjustments to the use of force standard, established an officer's duty to intervene, and updated new statewide training requirements.

These are the types of measures that improve law enforcement practices, create accountability, and foster trust and transparency. Now the legislature needs to make sure the Criminal Justice Council and the Vermont Police Academy have the funding and personnel that allow them to implement the policies they put into law. Law enforcement personnel and departments are committed to better serving the communities they are charged with protecting. The state needs to support that work with adequate resources for training, community outreach, professional development, and regulations.

VLCT anticipates the legislature will again consider the elimination of qualified immunity for law enforcement officers which, if enacted, will lead to protracted litigation and do nothing to take "bad cops" off the street. VLCT will advocate for more focus on the professional regulation of law enforcement by the Criminal Justice Council, a better resourced Police Academy to adequately train and educate new and existing law enforcement officers, and providing increased state resources to agency department heads specifically for leadership and professional development training to help police chiefs and sheriffs become the leaders our communities expect and deserve.

EMS

The EMS sector is also struggling with problems similar to those faced by law enforcement, but in different ways. While the chronic underfunding of the Vermont Police Academy and the Criminal Justice Council has helped lead to much of the backlash and criticism of law enforcement, the chronic underfunding of EMS and fire departments that provide EMS services has led to the current environment where agencies struggle to pay competitive wages, pay for dispatching services, and even pay the day-to-day bills that keep ambulances on the road. As with law enforcement, many paid and volunteer providers are aging out and retiring from EMS. The few younger people joining these services face expensive training requirements, little potential for job growth, and few mentors to "show them the ropes". Those who remain are, once trained, often "poached" by hospitals because better salaries, benefits,

and professional growth are guaranteed in those institutions. Just as the need for law enforcement protection and service does not decrease when the number of officers decreases, the need for professional emergency medical care does not dwindle proportionally to the number of ambulances available for service.

The legislature is showing increased interest in the EMS issue going into 2023 because legislators have heard from local service providers and constituents about the mounting pressures. On November 30, VLCT co-hosted an EMS Summit with Rep. Katherine Sims (Orl-4) and legislators, service providers, and state agency officials who all brainstormed about how to address the issues facing EMS in Vermont and areas on which the legislature should focus. Some of the policies that will likely be discussed by the legislature are Medicare and Medicaid reimbursement rates to EMS service providers, unexplored or new state and federal funding opportunities for the general support of EMS, regional coordination of service delivery, and better matching of calls for emergency service to the appropriate provider or venue. VLCT is looking forward to an increased state commitment to supporting these essential services and the personnel who make it their life's work.

Resources for this article:

- [A Statewide Recommitment to Public Safety: 2022 VLCT Municipal Action Paper](#)

[Transportation: Increased Needs, Decreased Resources](#)

With all the pressing needs of state and local government, it is easy for certain sectors of government to fade into the background, relatively unnoticed. Every single day Vermonters and interstate travelers rely on all sectors and modes of travel in our transportation networks, yet many take for granted our easy access to well-maintained roads, bridges, railroads, public transit, and airports. The reality is that the needs of the state's transportation system are ever increasing, and available resources to support their maintenance or expansion are dwindling, a trend expected to accelerate in future years. Every year, the legislature passes a transportation budget that in part supports municipalities' transportation network needs. They will do so again in 2023, under increased fiscal pressures despite unprecedented federal funding. One-time federal funding could not come at a better time; however, the sobering reality is that much of that revenue will not reach local governments, the money will not go as far as costs have risen, and the need to meet the federal match requirements in order to

access the money will put pressure on other sectors of our state's transportation network.

Vermont relies heavily on federal funding to support its transportation needs in large part because the state's own sources of transportation revenue are outdated and their output is slowing. The Transportation Fund, which pays for our transportation needs, relies heavily on: the gas, diesel, and purchase and use taxes; fees received from the Department of Motor Vehicles; federal funding provided to the state; and local property taxes. Logically, increased use of electric vehicles would undermine the state's income from gas and diesel taxes, and high vehicle costs discourage purchasing all types of cars and trucks. Both circumstances likely contributed to the fact that for the past three months, state revenues have been [1.6 to 2.9 percent below targets](#). The state economist and the Joint Fiscal Office continue to predict that current revenue sources will remain stagnant at best – and new, creative funding sources will become necessary to meet our basic transportation needs.

In the past two years the federal government passed the bipartisan Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA) – both of which provide significant funding to states for transportation needs and carbon reduction initiatives. The IIJA created 26 competitive grant programs, but it's increasingly looking like most of Vermont's local governments will be too small to access that money. That said, the money that **will** be accessible to local governments will become clearer when the Governor's budget is presented and federal money is accounted for. Additionally, the IRA invests heavily in carbon emission reduction measures. Total available federal funding will pair well with ongoing state and local projects, and the infusion of this money could speed up the time within which projects can be completed. The legislature will have the unenviable task of strategically appropriating funding for ongoing and scheduled projects to assure that Vermont maximizes available federal funds while also filling its obligations to all sectors of our transportation network.

In order to maximize funding and resource allocation to the local level, VLCT will continue to advocate that the legislature and the Agency of Transportation collaborate with municipalities to eliminate redundant and contradictory oversight of municipal projects; streamline and expedite permitting processes; and ensure effective technical assistance and efficiency in implementing projects. At the same time, we will continue to advocate that municipal transportation programs and associated projects, including compliance with stormwater management mandates, be fully funded to mitigate further pressure on the local property tax. VLCT urges the legislature to not just study alternative revenue sources for the Transportation

Fund, but also implement some of the initiatives recommended in studies completed in years past.

Resources for this article:

- [Transportation: 2022 VLCT Municipal Action Paper](#)
- [FY 2023 Revenue Forecast from the Vermont Legislative Joint Fiscal Office \(LJFO\)](#)

[Climate Action](#)

In September, VLCT Advocacy staff wrote about [climate action](#) and what is facing local governments as Vermont implements the provisions of the Global Warming Solutions Act (Act 153) of 2020 and the Vermont Climate Council has adopted the state's first Climate Action Plan. The Climate Action Plan's focus is on implementing Act 153's mandates to reduce emissions by 25 percent below 2005 levels by 2025, 40 percent below 1990 levels by 2030, and 80 percent below 1990 levels by 2050. Additionally, the plan calls for increasing resilience in local ecosystems, investing in and protecting communities from climate impact, and capturing carbon.

The Climate Action Plan includes almost 100 references to municipalities and their roles in addressing climate change, assuring their communities build resiliency in the face of extreme weather events and other results of a warming climate, and greenhouse gas (GHG) reduction. Last June, the Joint Fiscal Office wrote, "relying on voluntary public participation to make the switch to new technologies and investments introduces challenges and uncertainty." That remains an epic understatement. Nevertheless, historically both the state and the federal government have relied heavily on volunteer action to address climate change, and many of those volunteers serve in local government.

The legislature's Rural Caucus is expected to focus on providing ongoing support for local governments so they can seize this watershed moment of both opportunity and disruptive change. There will be proposals designed to assure long term stable funding for building capacity at the local level so towns large and small are able to access grant opportunities, secure funds, and implement and manage programs in compliance with federal guidelines. The VLCT Federal Funding Assistance Program is helping towns to focus their efforts on grant programs that will be of most benefit to their circumstances and help them frame their projects.

In addition, the Rural Resiliency and Adaptation subcommittee of the Climate Council has focused on municipal capacity to implement the recommendations of the Climate Action Plan at the local level. As with the legislative Rural Caucus, the subcommittee is likely to recommend increased funding to regional planning commissions and municipalities to support climate, resilience, and natural resource and energy planning, especially those with limited staff and marginalized populations. A further Climate Council group is working to develop a tool kit for local officials to use as they move along the path of reducing emissions and increasing resiliency.

The incoming legislature is sure to revisit the Clean Heat Standard embodied in H. 715, which Governor Scott vetoed at the end of last session because, he wrote, “as Governor and as elected officials, we have an obligation to ensure Vermonters know the financial costs and impacts of this policy on their lives and the State’s economy. Signing this bill would go against this obligation because the costs and impacts are unknown.” In June, the Joint Fiscal Office wrote that sustainable funding sources to support Climate Action Plan recommendations for long-term mitigation, adaptation, and public engagement and their allocations will have to be identified. That funding must include ongoing support for municipal governments as they implement climate action mitigation projects and mandates.

The Inflation Reduction Act, which is essentially a climate action bill, is estimated to provide \$189 million to Vermont on top of \$13.8 billion in COVID-19 federal funds that the state has received since FY 2020, according to the Federal Funds Information for States (FFIS). That means there will be additional dollars that can be directed to addressing climate action in the state and resiliency in municipalities. The legislature will need to spend time determining how to appropriate at least some of those dollars.

The Department of Buildings and General Services State Energy Management Program included the following section regarding Act 172 and the new Municipal Energy Resilience Program, which is just getting off the ground. It is likely that the legislature will also inquire about updates to this program and when towns may begin to apply for audits and funds.

In June 2022, Governor Scott signed Acts and Resolves No. 172 as passed by the Legislature, thereby creating the Municipal Energy Resiliency Grant program as an extension of the SEMP to extend services and support to under resourced municipalities across Vermont. The legislation assigned \$45M in American Rescue Plan Act (ARPA) State Fiscal Recovery (SFR) funds to the Program to provide \$5M in investment grade building

assessments, \$1M for the creation of four limited-service staff positions, \$2.4M for Regional Planning Commissions (RPCs) support or program operations, and \$36.6M in project funds capped at \$500K per municipality. The legislation further assigns \$2.8M in Infrastructure Investment and Jobs Act (IIJA) funds to establish a revolving loan fund for use by municipalities beyond the scope of ARPA SFR monies. SEMP staff will be working with program partners EVT, Vermont League of Cities and Towns, and the RPCs to design and stand up the program. Staff anticipate a program launch in the fall of FY2023.

What is the bottom line? Keep your antennae up for lots of developments on climate action, climate change, and resiliency efforts in the new year. We all know coping with our changing climate is a marathon not a sprint – and it may be more like an unscheduled and unscripted Spartan race.

Resources for this article:

- [Climate Action – Thinking Globally, Acting Locally: 2022 VLCT Municipal Action Paper](#)
- [Federal Funds Information for States, Vermont Legislative Briefing](#)
- [Vermont Department of Health: Take Action on Climate Change](#)

Taxation and Budgets

As the new biennium begins, the mirror images of budgets and revenues loom large. You cannot have one without the other, as we all know from personal experience. We know that in future years Vermont will not have the resources from the federal government that are being spent on Vermont priorities today – priorities such as workforce/economic development, housing, climate action, clean water, broadband, childcare, paid family leave, higher and K–12 education, and federal match needs. Thus, the legislature needs to plan for those leaner years with the clear understanding that Vermonters' personal budgets are severely financially stressed, especially in the current inflationary economy.

Vermont Taxes Are Paid by People

Vermont consistently ranks close to the top among states in terms of tax burden per capita, as the [Vermont Fiscal Facts 2022 Comparisons](#) demonstrate. Maybe that is inevitable in a rural state with a small population and big needs.

In 2020, Vermont ranked second in terms of total state tax burden per capita, and fifth in terms of state and local property tax burden per capita. Thus, how we fund government at the state and local levels – **and** how the legislature determines its priorities – affect Vermonters in their pocketbooks every day. At the local level, municipal budgets are funded by the property tax, fees, and, in a few towns, a local option tax. School budgets are likewise mostly funded by property taxes, and property taxes are the backstop to the Education Fund. That is, if the Education Fund lacks enough dollars to cover costs, the education property tax will pick up the slack.

Building the Vermont State Budget

The process for recommending and developing the state budget is well advanced in the administration by December, as it is in your cities, towns, and villages. Agency requests, following an internal vetting process, form the basis of the Governor’s budget recommendation to the legislature for a FY23 budget adjustment bill in January and the FY24 full budget bill, which will occupy the Appropriations Committees during the rest of the session.

According to the legislative Joint Fiscal Office, due to the influx of federal dollars, “the General Assembly recognizes an unprecedented opportunity to invest in Vermont’s recovery and long-term future by supporting Vermonters’ health and well-being and by strengthening Vermont’s communities, businesses, environment, and climate. Between ARPA funds and other federal and State funds, the General Assembly anticipates spending the following amounts [in General Fund categories] over the next three years (FY23 – FY25):

“(A) \$250,000,000 for the health, well-being, and recovery of Vermonters; for workforce development; and for business supports;

“(B) \$250,000,000 for development of a wide array of housing;

“(C) \$250,000,000 for broadband development;

“(D) \$250,000,000 for climate change mitigation; and

“(E) \$225,000,000 for clean water initiatives.”

State Revenues

On the revenue side, the House Ways and Means and Senate Finance Committees are charged with raising state dollars to pay for the priorities established by other committees in the legislature. The discussion is particularly fraught this session when it comes to the Education Fund, which comprises one third of the total state budget before federal Coronavirus Relief Fund and ARPA dollars are counted. And two thirds of the Education Fund itself is made up of education property taxes.

The legislature adopted Act 127 last year, which will implement new pupil weights for purposes of ensuring that the financial resources available to local school districts for educating students living in poverty, English learners, students in small rural schools, students in sparsely populated school districts, and students in middle and high schools are sufficient to meet the cost of educating these students. The new pupil weights begin to phase in in FY25 and will drastically alter the amounts many school districts are due and others are obligated to provide. Over the course of the summer and fall, the legislative Income-Based Education Tax Study Committee has been working on recommendations for moving homestead education taxes wholly to an income tax. Approximately 70 percent of homeowners today receive education property tax credits based on income. That report, due to the legislature by December 30, 2022, is being finalized now.

Sustainably Funding Government in the Future

Local governments have urged the legislature to (1) grant general authority to cities and towns to adopt local option taxes and (2) grant a portion of retail cannabis sale revenues to local governments that are hosting these new establishments starting October 1, 2022. While both initiatives have passed in the Senate, they have consistently stalled in the House, keeping the vast majority of municipalities entirely reliant on the property tax for all tax revenues. At the same time, local budgets must account for inflation in all areas including the retention of qualified personnel, and the list of obligations expands – climate adaptation being but one looming example. The result is that municipal budgets that are based on property tax cannot generate the funds to implement all the obligations and initiatives for which they are

responsible.

There will be efforts this session to provide long-term stable funding particularly to smaller municipalities, that would support building professional capacity and enable towns to pursue grants and other programs for implementing local initiatives. Understanding that many but not all municipalities would benefit from adopting local option taxes, VLCT will urge the legislature to consider a general revenue sharing program to help municipalities deliver the services and amenities that constituents expect from their local governments, from filling potholes to environmental resiliency to building vibrant and welcoming place-based economies.

As we head into the new legislative biennium with new legislators, many of whom have served in local government, local officials hope that the conversation may change and there will be space to discuss balanced revenue options for municipalities, those that would benefit from local option taxes, from assistance with accessing and managing state and federal grant dollars, and those that would benefit from revenue sharing assistance from the state.

Resources for this article:

- [Education Fund Outlook – December 2022](#)
- [Total \[State\] Funds Growth, Legislative Joint Fiscal Office](#)
- [Department of Tax Evaluation of Income-Based Education Homestead Tax](#)
- [Taxation and Budgets: 2022 VLCT Municipal Action Paper](#)