

Testimony to House Appropriations Committee on Dec 20

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Testimony of the Vermont League of Cities and Towns

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House Appropriations Committee

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Thank you for the opportunity to highlight the resources necessary for Vermont cities, towns and villages to recover from recent flooding and to plan for a more climate resilient future. VLCT represents all 247 Vermont cities and towns, and we think about what is needed for successful communities big and small across VT every day. Today I want to bring you up to speed on several issues:

- The role VLCT has played post flooding, and the need to continue funding this work
- VLCT's five keys to municipal recovery:
 - Relief for tax abatement related to flood stricken properties
 - Relief from local match required for FEMA assistance
 - Revenue replacement for cities and towns that lost revenue due to flooding
 - Additional funding for the Flood Resilient Communities Fund
 - Attention to emergency preparedness coordination at the state and local level
- VLCT's Municipal Priorities for 2024

VLCT's Role Post Flooding

VLCT pivoted to provide our members with valuable information and resources in the wake of this summer's flooding. This work was undertaken largely by our [Federal Funding Assistance Program](#), funded by a \$250,000 legislative appropriation that expires this spring. This grant has enabled us to hire Katie Buckley (former town administrator in Guilford and DHCD Housing Commissioner) and Bonnie Waninger (former RPC director).

Katie and Bonnie (both veterans of TS Irene) have worked hand in glove with Vermont Emergency Management, the Regional Planning Commissions, and the Agency of Administration to compile, post and distribute information, including a FEMA Public Assistance (PA) Compliant Contracts Toolkit, a guide to applying for PA, FEMA PA FAQs, and more. Some of the key highlights include:

- Our flood recovery website (vlct.org/flood-recovery) has open access and has been viewed more than 7,000 times.
- We have hosted flood recovery workshops and trainings, participated in weekly calls and briefings with FEMA and VEM, and played a critical role in helping municipalities find the funding needed to make immediate repairs while waiting for FEMA reimbursement.
- Our Federal Funding Assistance Program staff have had more than 250 email, phone and in-person conversations with municipal officials about flood recovery.
- VLCT hosts regular [Flood Recovery Check-Ins](#) (webinars) in partnership with VEM, the Chief Recovery Officers and other state officials providing important updates and presentations on relevant special topics.

VLCT hopes the Legislature will consider providing additional funding to VLCT to continue assisting municipalities access federal and state funding.

Based on all of the requests for Public Assistance that have been made to date, the state suffered more than \$567 million in damage to public infrastructure. Subtracting out the state, non-profit and school damage, this leaves about \$205 million in municipal damage to roads, bridges, municipal buildings, and property.

VLCT provides property insurance to more than 95 percent of Vermont's municipalities, and of the more than \$3 billion in municipal properties we cover, nearly \$500 million lie in high hazard flood zones as identified by FEMA. About 15 percent of city, town and village owned insurable property (not including roads and bridges) appears to be at high risk of future flooding. That percentage will only increase after FEMA revises their flood maps, as many properties outside of a high hazard flood zone were damaged during the July event.

Since July, we've received 97 loss claims from 36 municipalities related to the flooding. A majority of those claims have come from high hazard flood zones. This is especially distressing because fully insuring such properties against flooding damage has become less and less feasible. As an example, when Irene hit, VLCT offered up to \$10 million per municipality with no statewide aggregate cap for flood related damage in these high hazard flood zones. Today, we're only able to offer \$1 million per municipality – with a statewide aggregate cap of \$10 million. Why? global reinsurance markets have all but closed down or have become cost prohibitive for flood-prone properties. It's a realization that climate-change induced flooding events are becoming more common.

Communities around the country – and their insurers – are increasingly relying on FEMA to shoulder a portion of the risk – both through the National Flood Insurance Program (NFIP) and through the Public Assistance Program (PA) after a disaster.

Unfortunately, the wait for FEMA reimbursement funding – and the uncertainty of such funding -- can cost municipalities tens to hundreds of thousands of dollars or more that could instead be used to provide government services. Earlier this year, VLCT partnered with the Vermont Bond Bank to provide some relief. As you may have heard from the Treasurer, the Bond Bank is utilizing \$15 million of the Treasurer's local investment program to provide low interest loans to municipalities impacted by flooding. VLCT is providing an [interest rate subsidy](#) for those municipalities worst hit by the July flooding, so the municipality will pay no

interest over the life of the loan. VLCT is providing about \$1 million for this subsidy over the life of the loan program.

As a result of VLCT's flood response work, we have identified five key areas we believe the Legislature should focus it's flood response efforts this session.

VLCT's Five Keys to Municipal Recovery

1) Reimburse the Education Fund and Municipal Cooffers for Storm-Related Tax Abatements.

Post Irene, the Legislature quickly passed a bill to fund the shortfall in education taxes due to property tax abatements. Cities and towns have provided residents with tax abatements so they can afford to rebuild their homes and their businesses. The state should partner with municipalities so that justified abatements don't force communities to cut services. The Irene abatement package was inadequate, in that it only reimbursed communities for abatements that met a "50 percent substantial damage threshold." This threshold does not account for buildings that were unusable for months due to damage, but that were only impacted on one floor (think a mixed used building like the Capital Plaza in Montpelier). In addition, the Legislature should consider reimbursing municipalities for any lost municipal revenue due to abatement.

2) Give Relief from Local Match Requirement for FEMA Funding.

FEMA provides either 75 percent or 90 percent reimbursement for eligible losses to damaged public infrastructure. The [Emergency Relief and Assistance Fund](#) (ERAF) helps communities cover a portion of the local match. Some important changes were made to the ERAF program after Irene to incentivize communities to take more pro-active flood and hazard mitigation actions. Basically, the more hazard mitigation measures/actions/programs a community took,

the greater the state ERAF match. This is great for communities with the capacity and resources to take those actions and maintain the standards required for greater ERAF match. But this leaves behind the communities without resources, furthering the inequity and divide of those that have and can protect themselves from the impacts of climate change, and those that have not and can't protect themselves from the impacts of climate change. According to ANR's Flood Hazard Summary Report, 43 percent of our municipalities have not taken the necessary mitigation steps to increase the base ERAF match. Many of these communities will also be ineligible for FEMA Hazard Mitigation Grants. VLCT asks that the Legislature cover the entire FEMA PA local match for municipalities related to this event regardless of a community's ERAF rating.

3) Create a One-Time Revenue Replacement Grant Program for Municipalities.

Several of the worst hit municipalities lost significant revenues, including declines in local option tax revenue, parking fees and other miscellaneous fees. The state was quick to provide a revenue loss replacement for private businesses. We hope you will consider doing the same for the public business of municipal government. We recommend creating a municipal revenue loss grant program that allows municipalities to demonstrate lost revenue and apply for relief. We

estimate a fund of \$5 to \$10 million would be adequate.

While larger communities like Montpelier and Barre City need this desperately, I believe several smaller communities also could demonstrate lost revenue.

4) Provide Additional Funding for the Flood Resilient Communities Fund.

This fund helps municipalities undertake flood mitigation projects that reduce future flood risk and improve water quality. Eligible projects include home buyouts, restoring floodplains, dam removal, green infrastructure and stormwater projects. Often these funds fill gaps or

complement FEMA mitigation funding. The Legislature has allocated nearly \$20 million in federal funds to the program. This is a sensible place to put additional state resources to combat the impacts of future flooding and support the climate change adaptations our communities must make.

5) Invest In Additional Emergency Preparedness Coordination Efforts.

Vermont Emergency Management and our Regional Planning Commissions are critical partners to municipalities before, during and after a disaster. We support additional resources for both VEM and the RPCs that provide additional disaster preparedness resources and hazard mitigation resources.

Finally, as we transition from response and recovery to future mitigation strategies, I hope the Legislature will consider making changes to our state's land use law to facilitate community and economic growth in a more resilient way. A number of studies and reports are looking at land-use, development regulations and place-based incentive programs in VT. Making recommendations on how these designation programs, Act 250, conservation and development will work in Vermont going forward. Cities, towns, and villages of all sizes have a very clear message on this work: we must allow for new, safe, climate resilient development to occur now. We must provide the flexibility and incentives to our communities now, so they can look forward, not to abandon our historic downtowns and villages often in the Flood Hazard Area, but to strengthen them and to provide areas of new growth, in safe, smart, forward looking climate resilient areas. This will mean expanding the areas eligible for designation incentives, expanding the areas exempt from Act 250 for smart growth, and providing revenue sources to support the infrastructure needed to make it happen. The State of Vermont woefully underfunds municipal infrastructure projects already, and the need for climate resiliency projects will require new sources of funding, including expanding tax increment financing, implementing revenue sharing, expanding the availability of the local option tax, and, perhaps most importantly, building capacity in communities to do this work.

Attached to this testimony, I've included the [2024 VLCT Municipal Legislative Priorities](#) as approved by the VLCT Board. I hope these put my comments today into some perspective.

Thank you for your time, I'm happy to try and answer any questions you may have.

Attachments

[House Appropriations Testimony Dec 20 2023](#)