

**H.586 Fiscal Considerations**  
**Ted Barnett, Joint Fiscal Office**  
**January 31, 2024**

**Climate Infrastructure and Resilience Fund**

The primary proposed funding source for the Climate Infrastructure and Resilience Fund in H.586 is 2.5% of the State’s cash balance. Due to an influx of federal funds and tax revenue post-COVID, Vermont has recently enjoyed an unusually large cash balance. This balance is expected to decline in future years, however, as previously appropriated funds are expended and State tax revenues are expected to return to more modest growth rates.

<b>Historical Unrestricted Cash Balance</b>				
	<b>Average</b>	<b>High</b>	<b>Low</b>	<b>2.5% of Average</b>
<b>FY24</b>	2,105,806,261	2,327,361,675	1,921,124,531	52,645,157
<b>FY23</b>	2,227,873,660	2,600,751,478	1,908,617,187	55,696,842
<b>FY22</b>	1,722,601,704	2,415,605,602	1,475,677,350	43,065,043
<b>FY21</b>	706,854,293	1,237,394,415	364,371,924	17,671,357

*Source: Vermont State Treasurer*

This proposed use of the State’s cash balance is in addition to 10 VSA § 10, which authorizes the State Treasurer to spend up to 10 percent of the State’s average cash balance for economic development initiatives. The State Treasurer recently set a credit limit at \$100 million for this initiative. Examples of initiatives funded include:

- \$50 million to VHFA for affordable housing and housing development
- \$15 million to the Vermont Bond Bank, which offered financing to municipalities to cover flood expenses at an interest of 1.3% for seven years
- \$5 million to VEDA to expand an assisted living facility called Vergennes Grand

**Clean Water Fund**

H.586 would increase the statutory maximum for Water Quality Enhancement Grants from \$5,000,000 to \$8,000,000. Water Quality Enhancement Grants are funded by the Clean Water Fund.

The Clean Water Fund receives funding from the following sources (10 VSA § 1388):

- Property Transfer Tax Surcharge of 0.2% on:
  - The complete value of “not principal residence” transactions,
  - The marginal value greater than \$100,000 for “principal residence” transactions

- Marginal value greater than \$200,000 for purchases with VHFA, VCTF, or USDA assistance.
- Unclaimed beverage deposits (escheats)
- Six percent of meals and rooms tax revenue.
- Other sources including gifts, donations, impact fees, etc.

Due to strong revenues from the Clean Water Surcharge on property transfers in recent years, the Clean Water Fund has built a substantial balance.

<b>Clean Water Fund Balances</b>				
	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
<b>Carryforward</b>	6,148,892	12,307,286	23,507,760	37,842,480
<b>Revenue</b>	12,977,498	20,157,108	28,727,694	28,521,390
<b>Expenses</b>	3,514,105	5,498,633	8,379,124	10,714,387
<b>Other Sources</b>	3,305,000	3,458,000	6,013,850	5,866,111
<b>Balance</b>	12,307,286	23,507,760	37,842,480	49,783,392

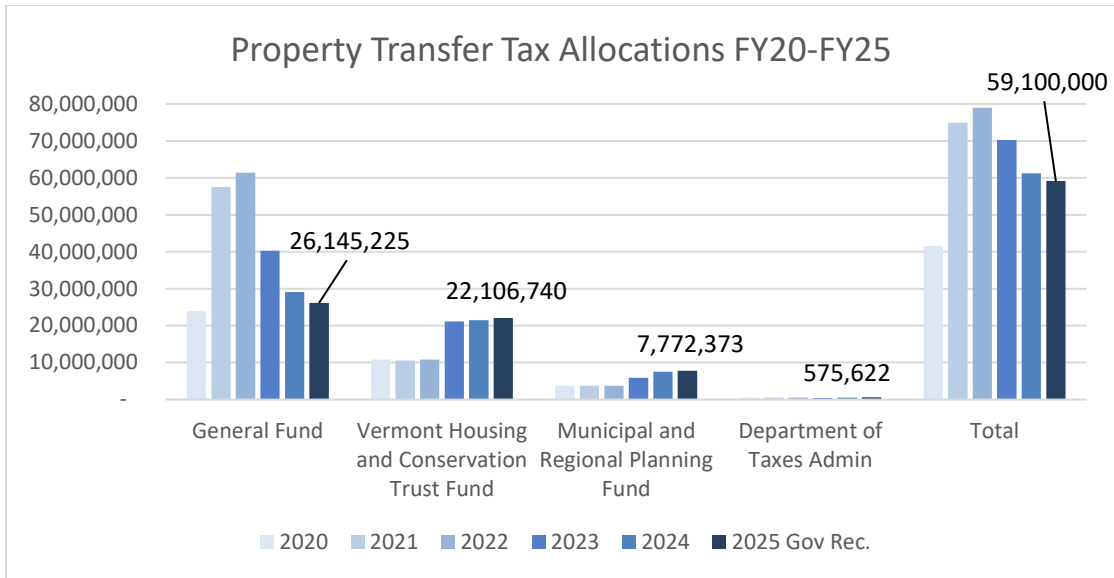
*Source: DFM Special Fund Reports*

### **Property Transfer Tax Allocations**

Current statute (32 V.S.A. § 9602, 10 VSA § 312, 24 VSA § 4306, 32 VSA § 435) outlines the allocation of the Property Transfer Tax:

- Prior to any distributions, 2% deposited in a special fund for Property Valuation and Review administration costs.
- \$2,500,000 to repay housing bonds at the Vermont Housing Finance Authority
- Of the remaining funds:
  - 50% to the Vermont Housing and Conservation Trust Fund (administered by the Vermont Housing and Conservation Board).
- 17% to the Municipal and Regional Planning Fund, of which:
  - 10% to the Vermont Center for Geographic Information
  - 70% for contracts with regional planning commissions
  - 20% disbursed to municipalities
- 33% to the General Fund.

However, those statutory provisions have been “notwithstanding” in the budget process since at least FY 2000. The chart on the next page shows actual allocations of the Property Transfer Tax since FY 2020.



Source: JFO Analysis. Total figures for FY21-FY25 include \$1 million of Clean Water Surcharge revenue; VHCTF revenues are net of \$2,500,000 housing bond payments.

In the FY 2025 budget, to restore the Vermont Housing and Conservation Board to statutory allocation of 50% would require \$5,627,260 of General Funds.

Fiscal Year	Revenue Forecast Property Transfer Tax	VHCB Statutory Distribution	Actual Proposed Appropriation to VHCB	Difference from Formula
2025 Gov Rec.	58,100,000	27,734,000	22,106,740	(5,627,260)

### Ongoing Appropriations Contained in H.586

Agency	Amount	Source	Purpose
Vermont Development Authority	\$125,000	General Fund	Staff the Climate Infrastructure and Resilience Fund
Office of State Treasurer	\$125,000	General Fund	“
Vermont Housing Conservation Board	\$125,000	General Fund	“
Department of Public Service	\$125,000	General Fund	“
Agency of Natural Resources	\$125,000	General Fund	“
Agency of Natural Resources	\$125,000	General Fund	One FTE to implement Statewide Green Infrastructure for Climate Resilience Program
<b>Total</b>	<b>\$750,000</b>	<b>General Fund</b>	