

Excerpt from Governor's Recommended Budget

Douglas Farnham, Chief Recovery Officer

EXPLANATION: Significant difficulties have been observed in acquiring approval from some communities for buyouts of flood-impacted properties. Municipal officials often cite the negative impact to their budgets, grand lists and the inability to absorb the lost housing as major impediments. The Administration recommends that funds from the PILOT special fund be used to replace lost municipal revenue at 100% for 5 years and 50% for 5 more years for a total of 10 years after the buyout is complete. The calculation would be performed after the BGS PILOT payment is calculated and issued and would be prorated if funds are insufficient. Payments would be based on tracking information maintained by Vermont Emergency Management.

Sec. B.1100 MISCELLANEOUS FISCAL YEAR 2026 ONE-TIME APPROPRIATIONS

...

(c) Department of Taxes. In fiscal year 2026, funds are appropriated for the following: (1) \$1,000,000 PILOT Special Fund for the Municipal Buyout Reimbursement Program as established per section E.142.2 of this act. These funds shall carry forward each fiscal year until fully expended or reverted by the Secretary of Administration.

Sec. E.142.2 32 V.S.A. Chapter 123, Subchapter 4C is added to read:

Subchapter 4C: MUNICIPAL BUYOUT REIMBURSEMENT PROGRAM

§ 3710. Reimbursement to Municipalities

(a) There is established a program to reimburse municipalities for municipal property taxes assessed under chapter 133 of this title for flood-prone properties acquired by a municipality to preserve as public space with a permanent restriction on development rights.

(b) On or before September 1 of each year, the Commissioner of Public Safety shall certify the properties eligible for the Municipal Buyout Reimbursement Program to the Commissioner of Taxes with any other information required by the Commissioner of Taxes. To be eligible for the program under this subchapter, properties shall be acquired on or after July 1, 2023 by municipalities and preserved by the municipality as public space or future space with a restriction on development rights. The Commissioner of Public Safety shall first certify properties to the Commissioner of Taxes pursuant to this subsection by September 1, 2025.

(c) The Commissioner of Taxes shall certify the payment amounts to the Secretary of Administration. The Secretary shall make an annual payment to each municipality with eligible property for each property to compensate for the loss of municipal property tax. The payment shall be calculated using the grand list value of the acquired property for the year during which the property was either damaged by flooding or identified as flood-prone by the Commissioner of Public Safety, multiplied by the municipal tax rate, including any submunicipal tax rates in effect each year. This payment shall be made on or before January 1 of each year for five years.

(d) If a municipality has received payment for any acquired property under paragraph (c) of this section for five consecutive years, it shall be eligible for payment for the ensuing five years in an amount equal to one half of the annual payment calculated under paragraph (c).

(e) Payment under this section shall be made shall be paid from the PILOT Special Fund under 32 V.S.A. § 3709 only after all other requirements of chapter 123, subchapter 4 are met. If the PILOT Special Fund balance is insufficient to pay the full amount of all payments authorized under this Subchapter, then payments calculated under this section and due to each municipality for each property shall be reduced proportionately.