VERMONT LEGISLATIVE
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Fiscal Note
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H.397 – An act relating to miscellaneous amendments to the statutes governing emergency management and flood response

As recommended by the House Committee on Government Operations and Military Affairs, Draft 2.4[1,i]

Bill Summary

This bill proposes numerous amendments to the statutes governing emergency management. It would, among other things, establish the Voluntary Buyout and Voluntary Buyout Reimbursement programs for flood-prone properties, create additional positions at Vermont Emergency Management, create the Vermont Community Radio Grant Program, grant additional fiscal authority to municipalities, and make appropriations.

This bill would appropriate $1,705,000 from the General Fund and $1,000,000 from the PILOT Special Fund in fiscal year 2026.

Fiscal Impact

Section 14 would appropriate $1,705,000 from the General Fund in fiscal year 2026 to support two new positions at Vermont Emergency Management, provide funding to the Urban Search and Rescue Team and the Vermont Community Radio Grant Program, and for the Agency of Natural Resources (ANR) to procure a fire apparatus.

Section 5 would transfer $1,000,000 from the PILOT Special Fund to fund the Voluntary Buyout Reimbursement Program for flood-prone properties.

Section 12 would allow for municipalities to structure debt repayment through level debt service payments instead of level principal payments as required by current law. This change could have impacts to debt incurred in Tax Increment Financing (TIF) projects, which are supported by incremental tax revenues from the Education Fund. Debt incurred with level debt service payments has lower initial payments (which could increase the amount of debt that municipalities can afford to incur) and higher overall interest costs. Both factors could increase the long-run costs of the TIF program to the Education Fund. These impacts are hard to measure and depend on the size and type of financing chosen by districts that are still able to incur debt and any new districts authorized by the Vermont Economic Progress Council (VEPC).

[1] *The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this fiscal note is meant to provide information for legislative consideration, not to provide policy recommendations.*

Background and Details

The following sections have a fiscal impact.

Sections 3-5: Voluntary Buyout and Voluntary Buyout Reimbursement Programs

Section 3 would direct Vermont Emergency Management and the Agency of Commerce and Community Development (ACCD) to establish and maintain the Voluntary Buyout Program for flood-prone properties. The Program would allow a municipality, at the request of the owner of a flood-prone property, to apply for funding to cover the purchase price (full fair market value) of the property. The municipality would be required to maintain the acquired property as open space with a deed restriction or covenant prohibiting development.

Section 4 would establish the Voluntary Buyout Reimbursement Program to reimburse municipalities for the value of forgone municipal property taxes associated with the flood-prone properties acquired by a municipality and preserved as public open space.

On or before September 1 of each year, the Commissioner of Public Safety would be required to certify eligible properties to the Commissioner of Taxes along with any other information required by the Commissioner. To be eligible for reimbursement, a municipality must have acquired an eligible property on or after July 1, 2023 and preserved the property as public open space with a deed restriction or covenant prohibiting development of the property.

The Commissioner of Taxes would be required to certify payment amounts to the Secretary of Administration, who would then make an annual payment to each municipality for each eligible property to compensate for the loss of municipal property tax. The payment would 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 would be made on or before January 1 of each year for five years, after which a municipality would be eligible for payments equal to one-half of the initial annual payments for ensuing five year periods.

Payments for the Voluntary Buyout Reimbursement Program would come from the PILOT Special Fund and be disbursed only after all other requirements of subchapter 4 are met (the payment of PILOT funds to municipalities for State-owned properties). If the PILOT Special Fund balance is insufficient to pay the full amount of all payments authorized under the Program, then payments would be reduced proportionately.

Section 5 would direct the Commissioner of Finance and Management to transfer $1,000,000 from the PILOT Special Fund to the Voluntary Buyout Reimbursement Program in fiscal year 2026 for administration.

Section 6: Division of Emergency Management Positions

Section 6 would create two full-time, exempt positions at Vermont Emergency Management:

- Municipal Grant Liaison: dedicated to grant research, grant applications support, coordination between municipal corporations and the Federal Emergency Management Agency (FEMA), and direct assistance to municipal corporations for the acquisition of grants and other funding sources for all-hazard relief and recovery efforts.

- All-Hazards Mitigation Technician: dedicated to providing or supporting engineering analyses for all-hazard mitigation projects, oversight of municipal remediation and recovery projects, and managing technical assistance to municipal corporations for all-hazard recovery.

Section 14 would appropriate $275,000 from the General Fund to the Department of Public Safety (DPS) in fiscal year 2026 to support these two positions.

Section 9: Vermont Community Radio Grant Program

Section 9 would establish the Vermont Community Radio Grant Program to provide one-time funding to community radio stations for the purpose of:

- Upgrading equipment and infrastructure necessary for reliable emergency broadcasting;
- Procuring and installing backup generators; and
- Enhancing operational sustainability through software improvements and technical training.

The Program would be administered by the Commissioner of Public Safety or designee, in collaboration with the Vermont Association of Broadcasters.

Grants would be allocated as follows:

- Up to $25,000 per station for seven active community radio stations; and
- Up to $10,000 per station for three upcoming stations currently under construction.

To be eligible for a grant, an applicant must:

- Be a nonprofit, noncommercial community radio station licensed in Vermont;
- Demonstrate a history of providing emergency broadcasting services or show the capacity to provide those services upon funding; and
- Submit a detailed implementation plan for the proposed use of grant funding.

Community ratio stations that receive a grant would be required to report to the Commissioner of Public Safety on or before June 30, 2026 detailing the use of grant funds, improvements achieved in emergency readiness and operational capacity, and impact on community service and engagement.

Section 14 would appropriate $205,000 from the General Fund to DPS in fiscal year 2026 to fund the Program.

Sections 10-12: Municipal Finance and Indebtedness

The following sections pertain to municipal finance but do not have a direct impact on the State budget:

<u>Section 10: Unassigned Fund Balance</u>

Section 10 would amend Title 24 to stipulate that funds in a voter-approved municipal budget that remain unexpended at the end of the fiscal year shall be under the control and direction of the legislative body of the municipality and may be carried forward from year to year as an unassigned fund balance. Unassigned fund balances could be invested and reinvested and expended for any public purpose as established by the legislative body of the municipality. This language could give municipalities greater flexibility and ability to establish reserves to meet future emergency or other needs. Unassigned fund balances are generally viewed as credit positives and fiscal best practices.

<u>Section 11: Emergency Borrowing Authority</u>

Section 11 would amend Title 24 to permit municipalities to borrow money by issuance of its notes or orders for the purpose of paying municipal expenses or public improvements associated with an all-hazards event or a declared state of emergency. The notes or orders shall be for a period of not more than five years or a term not to exceed the reasonably anticipated useful life of the improvements or assets financed by the notes or orders. Under current law, municipalities are limited to borrowing for up to one year without a town vote. This language would give municipalities the ability to borrow, on a limited basis, in emergency situations for up to five years without requiring voter approval in advance.

Section 12: Debt Service

Section 12 would permit municipalities to issue bonds with level debt service payments – annual payments that reflect principal and interest are level throughout the amortization period. Under current law, municipalities are required to structure their bond payments with *level principal* payments. This leads to higher payments in the initial years, which then decline over time. Level principal payments lead to more rapid amortization of principal, and lower total interest cost to municipal taxpayers over time. Level debt service payments cost less in the initial years than level principal payments and stay at the same amount over time, but typically at higher total interest costs over the repayment period.

Section 14: Appropriations

Section 14 would appropriate $1,705,000 from the General Fund in fiscal year 2026. DPS would receive $1,430,000; appropriated as follows:

- $275,000 to support the two positions at Vermont Emergency Management. This would be an ongoing base expense in future years.
- $950,000 to support the Urban Search and Rescue Team created pursuant to 20 V.S.A. § 50.
- $205,000 to fund the Vermont Community Radio Grant Program.

The bill would also appropriate $275,000 to ANR to procure a fire apparatus.

Summary of Fiscal Impacts

Voluntary Buyout Program

According to data from Vermont Emergency Management, since July 1, 2023, 227 properties have been submitted on applications for the State-managed buyout process. The approximate municipal property tax value of those properties is estimated at approximately $550,000 per year in the initial five-year period of the program when municipalities would be reimbursed at the full tax value of buyout properties as proposed. Two competing pressures could influence this estimate. First, the buyout program is voluntary and some applicants may drop out of the program before the municipality closes on the transfer of property. This would decrease the annual cost of the program. On the other hand, municipalities may offer to buy out additional properties once lost property tax value is reimbursed through the proposed program. This pressure could drive up the cost of the program in future years, but it is unlikely in the near term, as the program only reimburses municipalities once they own flood-prone property and it takes time to complete transfers under federal grant programs.

Section 5 would direct the Commissioner of Finance and Management to transfer $1 million from the PILOT Special Fund for program administration. The PILOT Special Fund, which makes payments to municipalities for the value of State-owned buildings, receives revenue from 30% of local option tax (LOT) collections. Broader macroeconomic trends and an increase in the number of municipalities adopting LOTs have substantially increased revenue going into the Fund. In fiscal year 2024, the difference between Fund revenue ($14.9 million) and expenses ($11.6 million) was over $3.3 million. The Fund had a balance of $10.3 million at the end of fiscal year 2024.

Positions and Appropriations

The two positions created in Section 6 would be an ongoing base expense in future years. It is possible that additional funds will be required in future years to continue supporting the Urban Search and Rescue Team and Vermont Community Radio Grant Program.

Municipal Finance and Indebtedness

Section 12 would give greater flexibility for municipal debt service repayment. As noted previously, a bond structured with level debt service payments has lower initial payments, but higher total interest costs. This change could increase the costs of the TIF program to the Education Fund. The size of these impacts ultimately depends on the scope of debt incursion in TIF districts that are still able to incur debt (e.g., Barre, Hartford, Killington). It would also apply to any newly approved TIF district, such as Rutland.

TIF uses the growth in incremental property values to finance public improvements, such as water and sewer infrastructure, streetscaping, or brownfield remediation. Under current law, municipalities can retain 70% of the incremental education property tax revenue generated above the district's original taxable value, and 85% of the municipal tax increment. When municipalities are crafting their financing plans, the amount of debt they can incur is constrained by the size of debt service payments relative to the estimated amount of increment that will be generated by improvements in the district. Lower debt service payments initially, compared to a structure with level principal payments, means that municipalities could afford to incur more debt compared to current law. This is especially important given that in the early stages of a TIF district, incremental growth in property values is generally lower, as anticipated developments have not yet materialized.

In addition, the change in Section 12 would result in higher overall interest payments over the course of a repayment, which would require more incremental education property revenues to service the debt, leaving less surplus revenue at the end of the district. Any surplus incremental education property tax revenues not used for debt service by the end of the TIF district are repaid to the Education Fund. Higher overall loan costs could result in less money returning to the Education Fund at the retirement of a TIF district.

[i] *The bill as introduced can be found here: https://legislature.vermont.gov/Documents/2026/Docs/BILLS/H-0397/H-0397%20As%20Introduced.pdf*

The full fiscal note history is available on the fiscal tab of the bill page on the General Assembly website and can be pulled up through a bill number search on the JFO page.