

PILOT Special Fund

House Committee on Ways and Means

Ted Barnett, Senior Fiscal Analyst

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What is the PILOT program?

- PILOT stands for Payment in Lieu of Taxes
- Designed to compensate municipalities for the value of State-owned property that is otherwise exempt from property taxes
- Two PILOT programs:
 - The General PILOT program compensates municipalities for the assessed value of State-owned buildings
 - The ANR PILOT program compensates towns for the taxable value of property that is purchased for conservation
- Current General PILOT program created by Act 60 of 1997



PILOT Program Revenue

- PILOT Special Fund receives 30% of Local Option Tax (LOT) revenue, minus return fees
- LOTs are an additional 1% tax on sales, rooms, or meals and alcohol levied by a municipality
- In 2024, 28 municipalities had a LOT on meals and rooms, and 22 had a LOT on sales.
- Act 144 of 2024 allows all towns to implement a LOT without a charter change
 - Commissioner of Taxes can limit the number of new local option taxes to 5 per calendar year



General PILOT Payments

- Separate payments for certain types of government buildings are made each year as a part of the annual appropriations bill
 - *General PILOT payments*
 - Appropriated in B.142, includes the \$750,000 statutory cap on the value of University of Vermont (UVM) buildings
 - *Correctional Facilities PILOT Payments*
 - B.144 (PILOT – correctional facilities): \$40,000 for other correctional facilities
 - B.338 (Corrections – correctional services): Contains \$152,000 for Newport and Springfield
- In fiscal year 2024, the General PILOT appropriation was \$11.25 million
- This was the first time the PILOT program has been fully funded – previously, payments had been prorated based on available revenues

Note: Additional PILOT payments for correctional facilities in Newport, Springfield and other towns is in addition to a regular PILOT payment based on building value



Payment Calculations and Definitions

- Per 32 V.S.A. § 3703, the PILOT payment calculation is as follows:
 - *The amount of a grant to a municipality authorized by this subchapter shall be based on the **total assessed value** of any State-owned property located in the municipality, multiplied by the **common level of appraisal** for the municipality as determined by the Division of Property Valuation and Review, multiplied by one percent, and multiplied by the **adjusted municipal tax rate** for the municipality in which the property is located*
- **Total assessed value:**
 - Based on insurance replacement value of buildings (NOT fair market value)
 - For correctional facilities, this definition includes the value of land
- **Common level of appraisal:**
 - NOTE: in PILOT calculations, property values are multiplied by the Common Level of Appraisal (CLA) to derive the local value of State-owned property
- **Adjusted municipal tax rate:**
 - Total sum of money voted by a municipality for all non-education expenses divided by the adjusted municipal Grand List



PILOT Payments by Municipality

- PILOT Payments are concentrated in:
 - Montpelier
 - Burlington (UVM)
 - Municipalities hosting Vermont State University locations
- However, many other PILOT payments are small – 118 PILOT payments in fiscal year 2024 were less than \$25,000

Fiscal Year 2024 PILOT Payments by Town

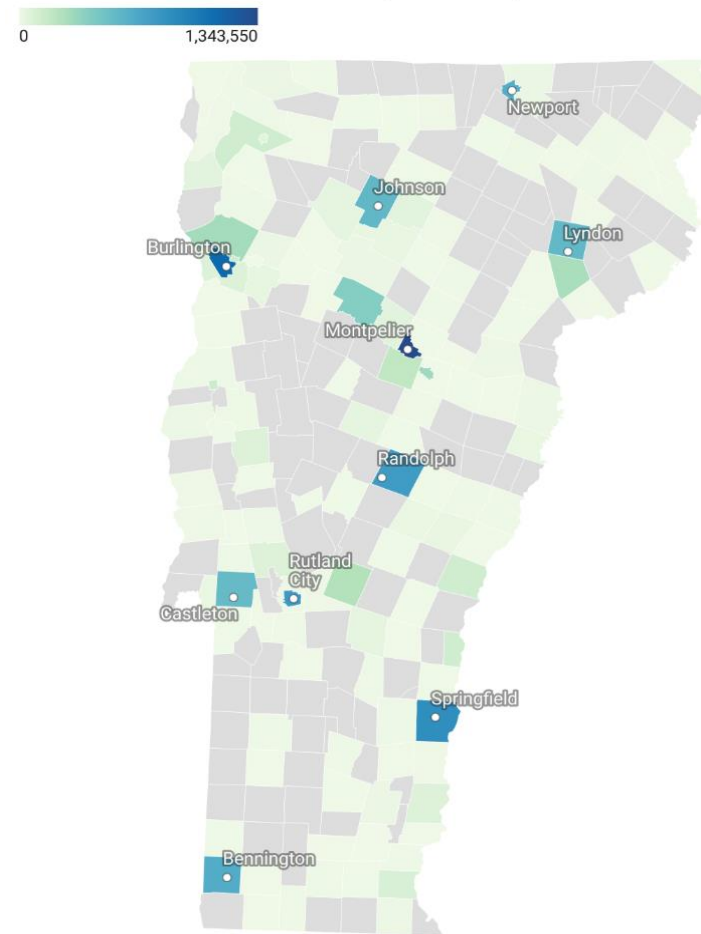


Table 1: Top 10 PILOT Payments by Town*

Town	FY 2024 Pilot Payment (\$)
Montpelier	1,343,550
Burlington	1,112,453
Springfield	854,719
Rutland City	770,102
Randolph	754,629
Bennington	634,035
Newport City	626,466
Lyndon	556,952
Johnson	551,702
Castleton	537,180

Source: Vermont Department of Taxes
 *Note: These figures include all taxing jurisdictions in each city or town

Source: Vermont Department of Taxes • Created with Datawrapper



Revenue and Appropriations Trajectory

- After a steady increase between fiscal years 2017 and 2021, revenues started to increase much more quickly than expenses starting in fiscal year 2022
- At the end of fiscal year 2024, the PILOT Special Fund had a fund balance of \$10.3 million
- With additional revenue to the fund, the State was able to increase PILOT payments to 100% of their calculated value
- After increasing payments, revenues are anticipated to exceed expenditures by more than \$3.2 million annually

PILOT Special Fund Since Fiscal Year 2017

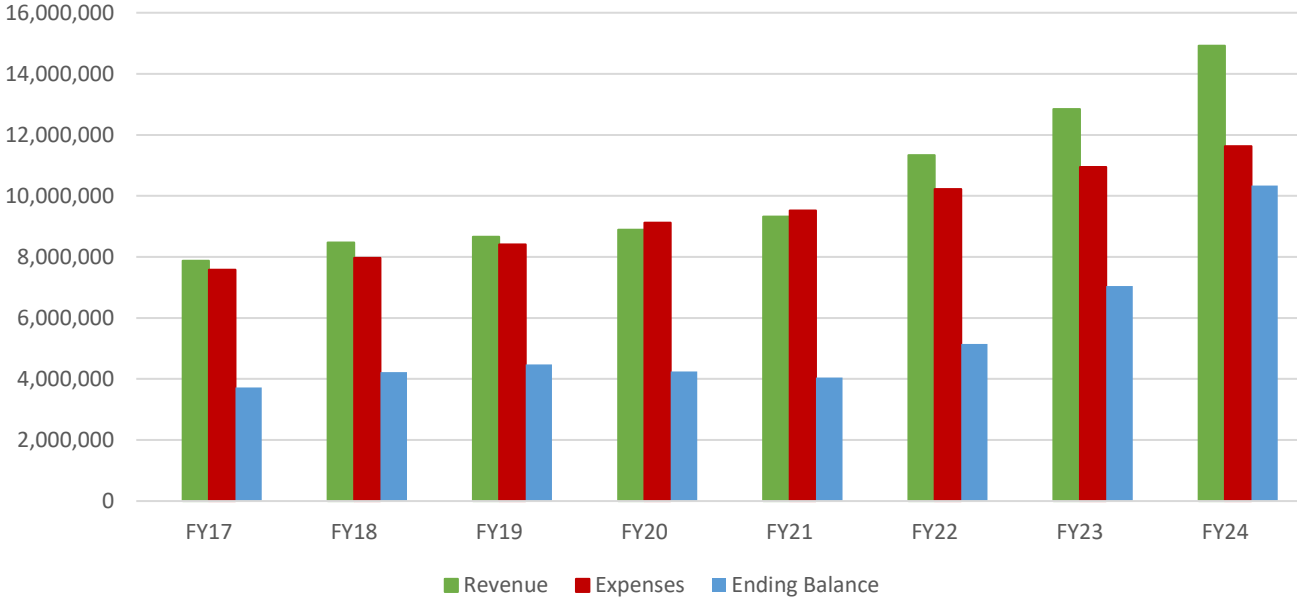


Table 2: PILOT Payments and Proration

Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024
PILOT Payment (\$ millions)	\$7.17	\$7.60	\$8.04	\$8.75	\$9.25	\$9.75	\$10.58	\$11.25
Proration (%)	74.7	75.6	76.3	81.1	81.1	85.8	94.8	100.0

Sources: Department of Finance and Management Special Fund Reports; Vermont Department of Taxes



Two Sources of PILOT Revenue Strength

1. Pandemic-era changes in spending habits

- Increased spending on goods online
- Post-pandemic travel

SOURCE G-FUND

revenues are prior to all E-Fund allocations and other out-transfers; used for analytic and comparative purposes only

	FY2021	%	FY2022	%	FY2023	%	FY2024	%	FY2025	%
	(Actual)	Change	(Actual)	Change	(Actual)	Change	(Actual)	Change	(Forecast)	Change
REVENUE SOURCE										
Personal Income	\$1069.8	15.5%	\$1267.8	18.5%	\$1210.0	-4.6%	\$1243.1	2.7%	\$1296.4	4.3%
Sales and Use ¹	\$507.6	17.4%	\$545.2	7.4%	\$584.0	7.1%	\$595.2	1.9%	\$610.9	2.6%
Corporate	\$133.4	-9.8%	\$223.3	67.3%	\$281.4	26.0%	\$238.8	-15.1%	\$259.3	8.6%
Meals and Rooms ²	\$143.8	-12.1%	\$216.8	50.8%	\$237.7	9.6%	\$246.2	3.5%	\$261.8	6.4%

Source: January 2025 Consensus Revenue Forecast

2. Increases in the number of municipalities with LOTs

Table 3: Number of Towns with a Local Option Tax

Tax Type	2017	2018	2019	2020	2021	2022	2023	2024
Meals and Rooms Tax*	17	18	19	20	21	22	24	28
Sales Tax	14	14	14	16	16	17	20	22

*The number of municipalities with a LOT in this tax type includes municipalities that assess LOTs on any combination of meals, rooms, and alcohol taxes.

Source: Vermont Department of Taxes



Adjusting Local Option Revenue Shares

- The 30 percent allocation of LOT revenue to the PILOT Special Fund started in 2006
- Changing the allocation to 25% of LOT revenue would result in approximately \$12 million in revenue for the PILOT Special Fund
- In fiscal year 2024, the General PILOT appropriation was \$11.25 million and total expenses to the fund were \$11.63 million

**Table 4: Adjusting Proportion of Local Option Tax Revenue to PILOT Special Fund
(\$ millions)**

FY 2024 Total LOT Revenue	30% of LOT Revenue (Current Law)	25% of LOT Revenue	FY24 PILOT Special Fund Expenses
\$50.95	\$14.48	\$12.06	\$11.63



The PILOT Special Fund and Flood Relief

- Sec. E.142.2 of the Governor's Recommended FY 2026 Budget proposed a program that would use PILOT funds to reimburse municipalities for the tax value of properties that participate in buyout or acquisition programs
- 227 properties are on applications submitted by towns to Vermont Emergency Management
 - Towns may be able to support additional applications with property tax support
- Properties are mostly residential, and many are situated in Central Vermont (e.g., Plainfield, Hardwick, Barre, Corinth)
- \$1 million appropriation from the PILOT Special Fund to the Department of Taxes to fund the program



Questions?

