

# PILOT Payments in Vermont

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
    - Funded through 30% of local option tax revenue minus \$5.96 return fees
    - The current percentage was established in Act 215 of 2005
  - The ANR PILOT program compensates towns for the taxable value of property that is purchased for conservation
    - 80 percent of funding from the General Fund
    - 20 percent from the Vermont Department of Fish & Wildlife
    - \$2.7 million appropriation in Section B.701 of the FY 2026 Budget



# ANR PILOT Calculation

- ANR PILOT payment calculation
  - If acquired before April 1, 2016: 0.60% of fair market value as appraised by PVR as of April 1 of fiscal year 2015
    - $(\text{Land Value}/100) * 0.6 = \text{base payment}$
  - If acquired after April 1, 2016: ANR determines the “base payment” by using the land’s fair market value and tax rate *at the time of acquisition*
    - $(\text{Land Value}/100) * \text{tax rate at acquisition} = \text{base payment}$
  - Per 32 V.S.A. 3708 (d), the ANR Secretary recommends an adjustment “consistent with statewide municipal tax rate or other appropriate indicators” every 3 to 5 years
    - The last adjustment - 1.29 percent - occurred in 2022
- Payment calculation example:
  - Taconic Mountains Ramble State Park – land bequeathed to the State in 2016
  - FY 2024 payment calculation:  $(\$232,100/100) * \$0.850836 = \$1,974.79$



# General PILOT Payments

- Separate payments for certain types of government buildings made each year as a part of the annual appropriations bill
  - *General PILOT payments*
    - Includes the \$750,000 statutory cap on the value of University of Vermont (UVM) buildings in Sec. B.142
  - *Correctional Facilities PILOT Payments*
    - Includes \$152,000 in Sec. B.338 for Newport and Springfield and \$40,000 for other correctional facilities in Sec. B.144
- In fiscal year 2024, the PILOT payments totaled \$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
  - 115 State Street-Annex 2023 Value: \$32,903,401
- **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, which is the local grand list plus the insurance value of state-owned buildings



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1. *total assessed value state buildings  $\times$  CLA  $\times$  .01 = state owned additions to grand list*
  2. *total municipal property tax revenue raised  $\div$  adjusted municipal grand list = adjusted municipal tax rate*
  3. *state owned additions to grand list  $\times$  adjusted municipal tax rate = PILOT Payment*



# Use of Insurance Replacement Value

- Using insurance replacement value may have some advantages
  - Administrative ease
    - Rather than requiring each individual town to provide the value of state-owned buildings to PVR, values are maintained by an Agency of Administration contractor for insurance purposes
    - Reduces some complex valuation tasks, particularly in towns hosting a Vermont State University campus (e.g. the Vermont Technical College bio-digester facility in Randolph, which had a 2023 replacement value of \$2,652,263)
    - Only includes the value of buildings by default
- Difference between replacement cost and fair market value on a variety of factors



# CLA and PILOT Payments

- Decreases in CLAs are decreasing PILOT payments in some towns.
- Johnson, for example, saw its PILOT payment decrease by \$47,205 from fiscal year 2024 and 2025

## FY 2024 PILOT Payment Calculation

1.  $\$86,457,758 \times \mathbf{89.67} \times .01 = \$775,267$
2.  $\$2,014,742 \div \$3,160,424 = \$0.6375$
3.  $\$775,267 \times \$0.6375 = \mathbf{\$494,233}$

## FY 2025 PILOT Payment Calculation

1.  $\$86,457,758 \times \mathbf{74.15} \times .01 = \$641,084$
2.  $\$2,134,099 \div \$3,060,423 = \$0.6973$
3.  $\$641,084 \times \$0.6973 = \mathbf{\$447,028}$





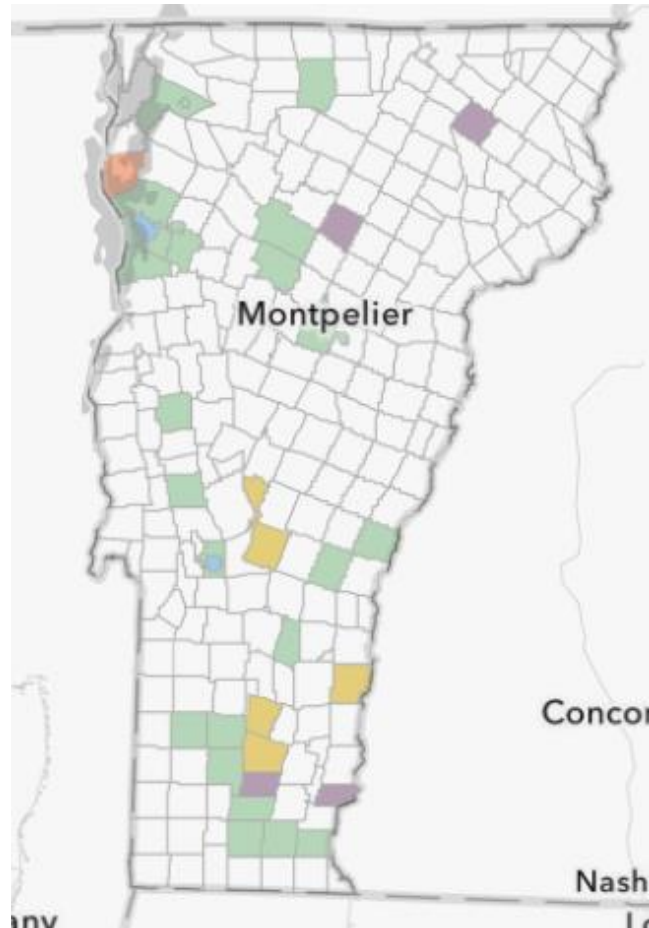
# Adjusting PILOT Payment Estimate

- As the payment is currently structured, CLAs reduce the vast majority of PILOT payments
- In FY25, the weighted average of CLAs was 77.4%
  - Of 161 total FY 2025 payments (including all taxing jurisdictions within a town), 144 were adjusted by a CLA less than or equal to 90
  - Of the CLAs that decreased between 2022 and 2023, the average decrease was 10.7 percentage points
- Based on FY 2025 data, removing the CLA from the PILOT calculation would increase overall payments by approximately \$3.01 million
  - This estimate likely understates the impact of the CLA in fiscal year 2026 and in future years

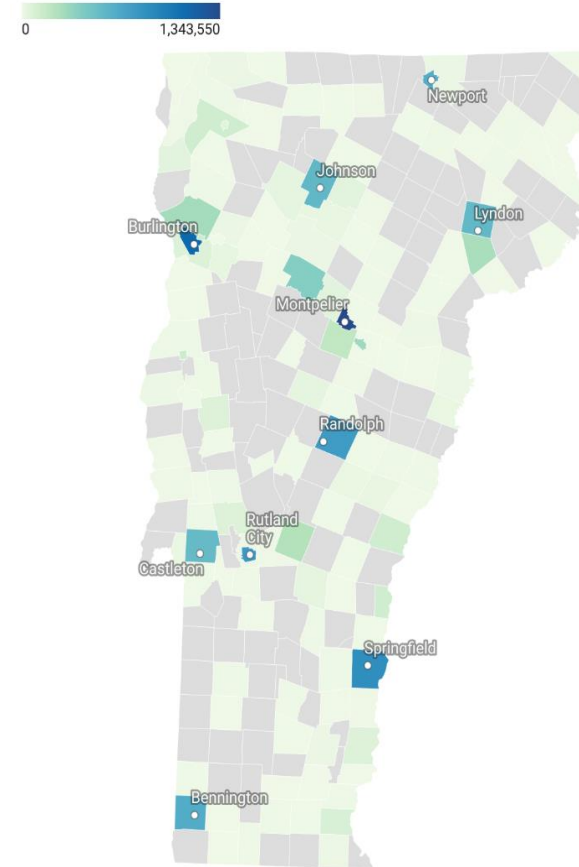


# PILOT Payments versus LOT towns

**Green** = All  
**Yellow** = MRT  
**Blue** = Sales  
**Purple** = Rooms  
**Red** = Meals and alcohol only



Fiscal Year 2024 PILOT Payments by Town



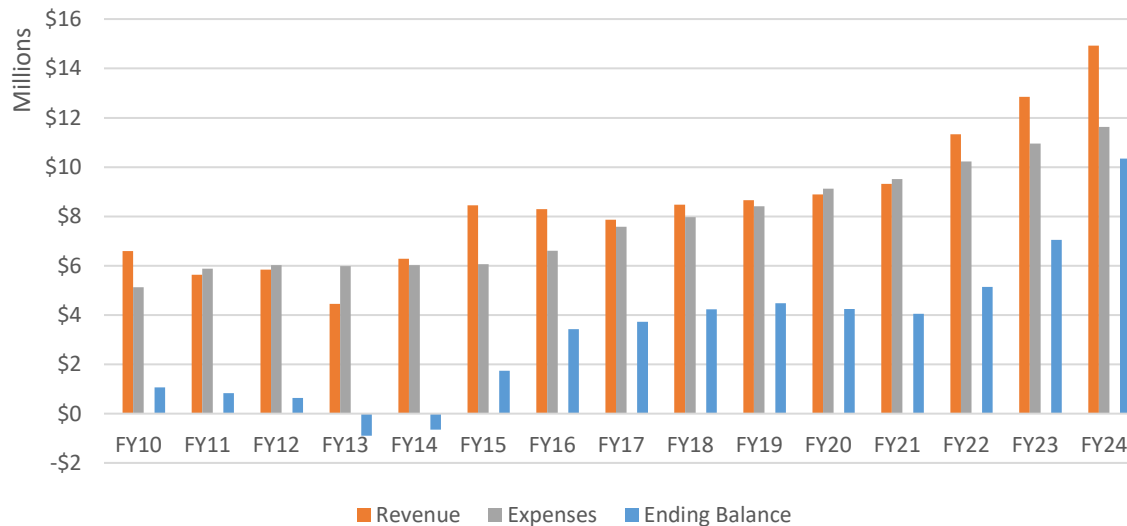
Source: Vermont Department of Taxes • Created with Datawrapper

- Towns with local option taxes are clustered near ski areas, or in Chittenden County
- Municipalities receiving PILOT payments are spread throughout the state



# Revenue and Appropriations Trajectory

PILOT Special Fund Since Fiscal Year 2010



	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Total
Full PILOT Payment (\$ millions)	9.60	10.05	10.53	10.79	11.40	11.36	11.15	74.88
Prorated PILOT Payment (\$ millions)	7.17	7.60	8.04	8.75	9.25	9.75	10.58	61.14
Percent Proration	74.7%	75.6%	76%	81%	81%	86%	94.8%	
<b>Difference (\$ millions)</b>	<b>2.43</b>	<b>2.45</b>	<b>2.50</b>	<b>2.04</b>	<b>2.15</b>	<b>1.61</b>	<b>0.58</b>	<b>13.76</b>

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

- The PILOT Special Fund built a surplus of approximately \$4 million by FY 2021
- The fund surplus has increased substantially since FY2021
- Between FY 2017 and FY 2022, the PILOT payment was about \$2 million less than the amount of funding that would have been required to fully fund payments



# Adjusting Local Option Revenue Shares

- \$13.392 million in appropriations from the PILOT Special Fund in the House passed version of H.493
- Increasing the municipal share of local option tax revenues (LOT) to 75% would reduce PILOT Special Fund revenues to an estimated \$14.01 million in FY 2026

*Table 1: Estimated FY 2026 LOT Revenue with Proposed Allocation Changes*  
(\$ in millions)

	<b>Total LOT Revenue</b>	<b>Municipal Revenue Share</b>	<b>PILOT Fund Share</b>	<b>Return Fee to Tax Dept</b>
Current – 70% Allocation to Towns	\$59.18	\$39.24	\$16.82	\$3.13
Proposed – 75% Allocation to Towns	\$59.18	\$42.04	\$14.01	\$3.13



# Questions?

