

1 Sec. X. 24 V.S.A. § 138a is added to read:

2 **§ 138a. LOCAL OPTION MUNICIPAL SERVICES TAX**

3 (a) A municipality that assesses a local option tax pursuant to section 138
4 of this title may impose an additional one percent local option municipal
5 services tax on one or more of the tax bases on which it currently imposes a
6 local option tax pursuant to subdivisions 138(b)(1)–(3) of this title.

7 (b) Any additional tax imposed under this section shall be recommended
8 and approved using the same process as a local option tax under subsection
9 138(b) of this title and may be rescinded using the same process as a local
10 option tax under subsection 138(g) of this title.

11 (c) A local option municipal services tax shall be collected and
12 administered in the same manner as the local option tax under section 138 of
13 this title, and the taxes collected on the sale of aviation jet fuel shall be treated
14 the same as under subsection 138(c) of this title.

15 (d)(1) Except as provided in subsection (c) of this section with respect to
16 taxes collected on the sale of aviation jet fuel, the taxes collected under this
17 section shall be paid on a quarterly basis as follows:

18 (A) Fifty percent of the taxes shall be paid to the municipality in
19 which they were collected without a reduction for the costs of administration
20 and collection.

1 (B) Forty percent of the taxes shall be deposited in the Local Option
2 Municipal Transportation Special Fund pursuant to 19 V.S.A. § 306b.
3 (C) Any remaining revenue shall be deposited into the PILOT
4 Special Fund established by 32 V.S.A. § 3709.

5 (2) Revenues received by a municipality under this section shall be
6 expended for municipal services only, and not for education expenditures.

7 Sec. X. 19 V.S.A. § 306b is added to read:

8 § 306b. LOCAL OPTION MUNICIPAL TRANSPORTATION SPECIAL
9 FUND

10 (a) The Local Option Municipal Transportation Special Fund is established
11 in the Agency of Transportation and shall be managed in accordance with
12 32 V.S.A. chapter 7, subchapter 5. The purpose of the Fund is to provide
13 additional State aid for town highways pursuant to the provisions of section
14 306 of this chapter.

15 (b) The Fund shall consist of:

16 (1) receipts from the local option municipal services tax pursuant to
17 24 V.S.A. § 138a(d)(1)(B);
18 (2) any gifts, grants, or contributions made to the Fund; and
19 (3) any amounts transferred to the Fund by the General Assembly.

1 (c)(1) All interest earned on Fund balances shall be credited to the Fund.

2 (2) The Secretary may seek and accept gifts, donations, and grants from
3 any source, public or private, to be dedicated for deposit into the Fund.

4 (3) The Commissioner of Finance and Management shall anticipate
5 receipts to the Fund and shall issue warrants based on the anticipated amounts.

6 (4)(A) Monies in the Fund shall be used solely to provide State aid to
7 municipalities pursuant to subsections 306(a), (e), and (h) of this chapter and
8 for any administrative costs incurred in administering the Fund.

9 (B) Notwithstanding any provision of subsections 306(a), (e), and (h)
10 of this chapter to the contrary, the aggregate amount of monies appropriated
11 from the Fund pursuant to those subsections in any given State fiscal year shall
12 not exceed 95 percent of the anticipated receipts to the Fund for that fiscal
13 year.

14 Sec. X. 19 V.S.A. § 306 is amended to read:

15 § 306. APPROPRIATION; STATE AID FOR TOWN HIGHWAYS

16 (a) General State aid to town highways.

17 (1) An annual appropriation to class 1, 2, and 3 town highways shall be
18 made. This appropriation shall increase over the previous fiscal year's
19 appropriation by the same percentage change as the following, whichever is
20 less, or shall remain at the previous fiscal year's appropriation if either of the
21 following are negative or zero:

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* * *

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(3) The funds appropriated shall be distributed to towns as follows:

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(A) Six percent of the State's annual town highway appropriation

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shall be apportioned to class 1 town highways. The apportionment for each

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town shall be that town's percentage of class 1 town highways of the total class

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1 town highway mileage in the State.

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(B) Forty-four percent of the State's annual town highway

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appropriation shall be apportioned to class 2 town highways. The

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apportionment for each town shall be that town's percentage of class 2 town

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highways of the total class 2 town highway mileage in the State.

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(C) Fifty percent of the State's annual town highway appropriation

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shall be apportioned to class 3 town highways. The apportionment for each

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town shall be that town's percentage of class 3 town highways of the total class

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3 town highway mileage in the State.

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(D) Monies apportioned under subdivisions (1), (2), and (3) of this

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subsection (a) shall be distributed to each town in quarterly payments

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beginning July 15 in each year.

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(E) Each town shall use the monies apportioned to it solely for town

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highway construction, improvement, and maintenance purposes or as the

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nonfederal share for public transit assistance. These funds may also be used

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for the establishment and maintenance of bicycle routes and sidewalks. The

1 members of the selectboard shall be personally liable to the State, in a civil
2 action brought by the Attorney General, for making any unauthorized
3 expenditures from money apportioned to the town under this section.

4 (4)(A) In addition to the amounts appropriated pursuant to subdivision
5 (1) of this subsection (a), a portion of the anticipated annual revenue of the
6 Local Option Municipal Transportation Special Fund shall be appropriated for
7 class 1, 2, and 3 town highways in each State fiscal year in an amount that is
8 consistent with the provisions of subdivision 306b(c)(4) of this chapter.
9 Amounts appropriated from the Fund shall be apportioned, distributed, and
10 used in the same manner as provided pursuant to subdivision (3) of this
11 subsection (a).

12 (B) Amounts appropriated pursuant to this subdivision (4) shall not
13 decrease the amount appropriated pursuant to subdivision (1) of this subsection
14 (a) or be subject to the annual inflationary adjustment provided for in
15 subdivisions (1) and (2) of this subsection (a).

16 * * *

17 (e) State aid for town highway structures.
18 (1) There shall be an annual appropriation for grants to municipalities
19 for maintenance (including actions to extend life expectancy), and for
20 construction of bridges and culverts; for maintenance and construction of other
21 structures, including causeways and retaining walls, intended to preserve the

1 integrity of the traveled portion of class 1, 2, and 3 town highways; and for
2 alternatives that eliminate the need for a bridge, culvert, or other structure,
3 such as the construction or reconstruction of a highway, the purchase of parcels
4 of land that would be landlocked by closure of a bridge, the payment of
5 damages for loss of highway access, and the substitution of other means of
6 access. This appropriation shall increase over the previous fiscal year's
7 appropriation by the same percentage change as the following, whichever is
8 less, or shall remain at the previous fiscal year's appropriation if either of the
9 following are negative or zero:

10 * * *

11 (5) Funds received as grants for State aid for town highway structures
12 may be used by a municipality to satisfy a portion of the matching
13 requirements for federal earmarks, subject to subsection 309b(c) of this title.

6 (h) Class 2 Town Highway Roadway Program.

7 (1) There shall be an annual appropriation for grants to municipalities

8 for resurfacing, rehabilitation, or reconstruction of paved or unpaved class 2

9 town highways. Municipalities that have no State highways or class 1 town

10 highways within their borders may use the grants for such activities with

11 respect to both class 2 and class 3 town highways. This appropriation shall

12 increase over the previous fiscal year's appropriation by the same percentage

13 change as the following, whichever is less, or shall remain at the previous

14 fiscal year's appropriation if either of the following are negative or zero:

1 (5) Funds received as grants for State aid under the Class 2 Town
2 Highway Roadway Program may be used by a municipality to satisfy a portion
3 of the matching requirements for federal earmarks, subject to subsection
4 309b(c) of this title.

5 (6)(A) In addition to the amounts appropriated pursuant to subdivision
6 (1) of this subsection (h), a portion of the anticipated annual revenue of the
7 Local Option Municipal Transportation Special Fund shall be appropriated for
8 town highway structures in each State fiscal year in an amount that is
9 consistent with the provisions of subdivision 306b(c)(4) of this chapter.
10 Amounts appropriated from the Fund shall be used in the same manner and for
11 the same purposes as provided pursuant to subdivisions (1) and (5) of this
12 subsection (h).

13 (B) Amounts appropriated pursuant to this subdivision (6) shall not
14 decrease the amount appropriated pursuant to subdivision (1) of this subsection
15 (h) or be subject to the annual inflationary adjustment provided for in
16 subdivisions (1)–(3) of this subsection (h).

17 * * *

18 Sec. X. GENERAL STATE AID FOR TOWN HIGHWAYS; ADDITIONAL
19 APPROPRIATION

20 The sum of \$3,000,000.00 is appropriated in State fiscal year 2027 from the
21 PILOT Special Fund to the Agency of Transportation to provide additional

1 grants through the General State Aid to Town Highways program pursuant to
2 19 V.S.A. § 306(a). The amounts appropriated pursuant to this section shall be
3 in addition to any amounts appropriated pursuant to the provisions of 19
4 V.S.A. § 306(a) in State fiscal year 2027.