

## STATE FUNDING PROGRAMS FOR OUTDOOR RECREATION:

# Vermont's Housing and Conservation Trust Fund

### SUMMARY

Vermont funds outdoor recreation, conservation, historic preservation, agriculture, and affordable housing using its Housing and Conservation Trust Fund (HCTF). Established by the Vermont Legislature in 1987, HCTF is funded through the property transfer tax and administered by the Vermont Housing and Conservation Board (VHCB).

VHCB conservation investments fund land acquisition and conservation. Since its inception, VHCB has helped to preserve 265,000 acres for recreation and conservation. Funding is also available for organizational development and technical assistance.

This case study is part of a larger report describing how states fund outdoor recreation across the U.S. Access the full report "State Funding Mechanisms for Outdoor Recreation" here: <http://oia.outdoorindustry.org/headwaters>.

### FUNDING TYPES

The bulk of the state's outdoor recreation funding for land acquisition and conservation comes through VHCB.

Although HCTF is called a "trust fund," it is not structured as a typical trust fund that primarily distributes interest revenue from principal. VHCB receives an appropriation annually and distributes funds in response to applications received from organizations, agencies, and municipalities around the state.

By statute, the HCTF is allocated 50 percent of the total Property Transfer Tax (PTT) revenues received by the state (after the Tax Department deducts 2% for administration). Often, however, due to competing needs for state funds, the fund receives less than 50 percent of PTT revenue. The Legislature uses General Obligation Bonds to partially replace, or supplement, property transfer tax funding.

The transfer tax is applied to all property sales and the rate depends on the value of the property and whether the buyer intends to use the property as a



### SNAPSHOT

Created in 1987

Funds primarily land conservation and acquisition

Priority given to projects that provide affordable housing and land conservation

#### Key factors of success:

- Supports activities across many land use issues, including housing affordability, farmland and historic preservation, and outdoor recreation
- Dedicated funding source from Property Transfer Tax, with a higher burden on more valuable and secondary homes
- Brings together advocates across multiple disciplines
- Funds primarily grants

principal residence. For non-principal residences, the buyer pays 1.25 percent of the sale price. For principal residences, the buyer pays 0.5 percent for the first \$100,000 and 1.25 percent for any amount greater than \$100,000.<sup>1</sup>

For FY2017, VHCB received \$15.3 million, made up of \$11.3 million from the Property Transfer Tax and \$4 million in bond funding. Of this, \$1.2 million was awarded for non-farm conservation projects, including acquisition and conservation of recreation lands, town forest projects, trails, natural areas, historic community buildings with public use, and the creation or expansion of state and municipal parks.<sup>2</sup>

## PROGRAM ORIGINS

During the 1980s, rapid development of rural property increased the price of housing, threatening the state's agricultural character, and reducing residents' access to recreation on private land. In response to these threats, advocates for conservation and recreation, affordable housing, and historic preservation created a unified coalition. Together they proposed creating a new agency and funding source to address community needs.

The [Vermont Housing and Conservation Trust Fund Act](#) passed in 1987. The HCTF Act identifies the "dual goals of creating affordable housing for Vermonters, and conserving and protecting Vermont's agricultural land, forestland, historic properties, important natural areas, and recreational lands."<sup>3</sup> When evaluating grant applications, priority is given to projects that can provide both affordable housing and land conservation for agriculture, forest land, natural areas, recreation, or historic preservation.

In 1987, the HCTF was capitalized with \$3 million. In 1988, a budget surplus of \$20 million was directed to VHCB. Thereafter, VHCB was given a dedicated share of Property Transfer Tax receipts, supplemented in some years by targeted allocations of bond funding. The legislation and dedicated funding benefited from the state's real estate boom: rural character and historic farms were under threat and Property Transfer Tax revenue was growing quickly.<sup>4</sup>

## FUNDING ALLOCATION AND ADMINISTRATION

The HCTF is overseen by an 11-member Board of Directors. Four members are heads from the state agencies: Agriculture, Human Services, Natural Resources, and Housing Finance. Five of the remaining positions are appointed by the Governor and two by the Legislature. Of these, one must be a farmer and one an advocate for low-income residents, and two represent nonprofit affordable housing development and land conservation organizations.

The Board meets eight times a year. The exact funding allocation depends on the types of grant applications the board receives. In 2017, VHCB allocated 47 percent of state funding to housing and 43 percent to conservation. Approximately 70

percent of the conservation allocation is awarded to farmland conservation projects. There is no set requirement for housing or conservation to receive a certain share of available funds. In FY17, non-farm conservation projects received eight percent of the total state allocation of \$15.3 million.<sup>5</sup> Projects are "ranked by the Board in terms of need, impact and quality."<sup>6</sup> VHCB has several program-specific policy briefs that serve as guiding documents for evaluating applications.<sup>7</sup>

Municipalities, state agencies, and housing or conservation nonprofit organizations are eligible for funding. Recreation-related granting falls under the Statewide and Local Conservation Programs. Each program has different requirements depending on whether the proposed project is of local or statewide significance.

For local projects, VHCB provides grants or loans of up to \$150,000 for conservation and acquisition of recreational lands, natural areas, agricultural lands, forest land, and historic properties. Funding may not cover construction, maintenance, or operation of facilities. Applicants are required to provide a 33 percent match, which can include in-kind services, donated land, and cash. Those projects with a larger match generally are given higher priority. In cases where projects are particularly complex or expensive, applicants may petition the Board to waive the cap.<sup>8</sup>

Projects of statewide significance are identified based on information from the Agency of Natural Resources, including the Vermont Recreation Plan, the Agency's Land Acquisition Plan, and Community Recreation Plans. There is no limit for the requested amount and a match is not required for these projects. The Board prioritizes funding projects that contain the following elements:

- Land acquisition;
- Access for swimming, boating, or fishing;
- Greenways or other connections;
- Urban areas or places with low public land per capita;
- Unique features such as views or other special qualities;
- Expansions of existing recreation areas;
- Multi-jurisdictional service areas;
- Connection to affordable housing projects; and
- Use of financial resources in addition to HCTF.<sup>9</sup>

In addition to grants and loans for land acquisition, VHCB also provides annual grants for organizational development to Vermont's network of nonprofit affordable housing development and land conservation organizations. This can include grants for establishing or expanding an organization for the first two years, and core operating support for an existing organization. To qualify, organizations must demonstrate local support and their ability to leverage other sources of funding, without overlapping the efforts of other organizations serving the area.<sup>10</sup>

## SUCCESSSES

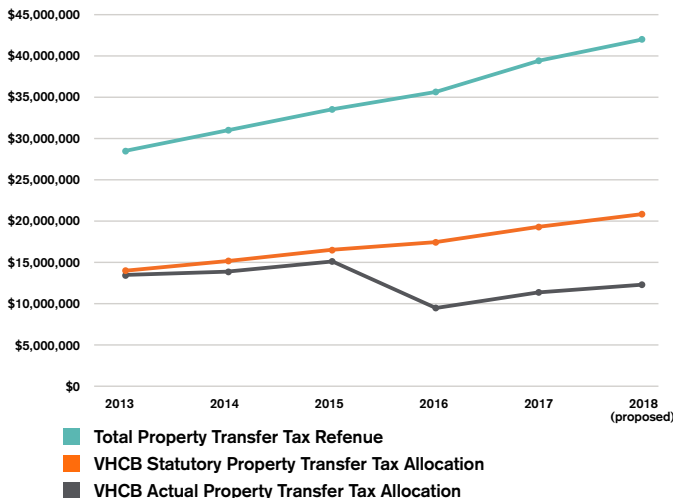
Before the HCTF Act was passed, advocates for farmers, recreation, and low-income Vermonters separately pursued legislation to create long-term funding. When advocates created a broad alliance, they were able to successfully advocate for legislation establishing the HCTF. Representation from a wide variety of interests on the Board helps to promote a culture of collaboration rather than competition.

When evaluating applications, the Board places a priority on projects that meet “dual goals.” This has helped housing and conservation advocates see complementary opportunities on a single parcel of land. For example, in South Burlington an organization was creating a housing development on property that included steep cliffs along its edge. By partnering with the local park district, the developer was able to cluster the housing safely on one part of the property and the park district was able to include the unique 10-acre cliff area in its park system, building trails and fencing to make the property accessible to the public. Although it can be difficult to find projects that do achieve dual goals, VHCB staff often work with applicants to identify possible ways to accommodate broader objectives.

## CHALLENGES

Although the fund’s statute mandates 50 percent of PTT revenue be allocated to the HCTF, competing budget needs have resulted in lower allocations. Figure 1 highlights the gap between the mandated 50 percent allocation and the actual amount allocated to VHCB. Additional funding of \$4.5 million in 2016 and \$4 million in 2017 was provided to make up some, but not all, of this gap. An additional \$5 million additional funding is proposed for 2018. A coalition of grantees—the Vermont Housing and Conservation Coalition—actively lobbies for appropriations and works with legislators to make sure successful programs are highlighted.

**Figure 9.1. Annual property transfer tax revenue, statutory allocation, and actual allocation, 2013-2018.**



Source: Vermont Housing and Conservation Board personal communication.

The Board allocates funds across a broad range of projects that reflect its dual goals and stated policy priorities. Funding levels for different program areas will vary from year to year as the Board responds to the applications received. While this provides the Board with flexibility, it may make it harder to consistently support programs and may lead to competition between housing, conservation, historic preservation, and agricultural interests.

The HCTF supports primarily land acquisition and conservation. While this has helped preserve many areas for outdoor recreation, it is one of several important factors that sustain a statewide outdoor recreation program. If the construction, operations, and maintenance of parks and trails fall mostly to federal and municipal sources, recreation facilities may be shortchanged.

## LESSONS LEARNED

### Sustained, dedicated funding is due to very broad constituency.

This 30-year program boasts widespread success in improving the quality of communities across Vermont. Part of its success can be attributed to its statutorily mandated funding source that has been relatively protected from reduced appropriations. Because it affects so many constituents in many ways, its political support has remained strong.

### Prioritizing projects that meet “dual goals” encourages creative solutions.

The VHCB’s emphasis on projects that address its “dual goals” has helped advocates of many sorts identify collaborative opportunities, helping to accomplish a wider range of objectives from a single funding source. While the program’s many themes mean that recreation competes with other important programs, the overall sustained political and funding support have been invaluable.

## CONTACTS

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# END NOTES

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1. <http://tax.vermont.gov/property-owners/real-estate-transaction-taxes/property-transfer-tax>.
2. FY2017 Budget Packet.
3. <http://legislature.vermont.gov/statutes/section/10/015/00302>.
4. Geisler, C. and G. Daneker, eds. (2000) Property and Values: Alternatives to Public and Private Ownership. Washington, D.C.: Island Press.
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