Vermont State Climate Funding: Fiscal Year 2026 and Beyond

Prepared by the Agency of Natural Resources' Climate Action Office

Published:
1.28.2026

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VERMONT
AGENCY OF NATURAL RESOURCES

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Cover photo: The West River in Londonderry during a drought.

Current context of federal and state funding for climate action

The landscape around climate action and spending has changed dramatically over the last year. Shifts in federal priorities and uncertainties in the federal budget have led to rollbacks in climate funding at a level and pace most could not have anticipated. As State Agencies try and anticipate further reductions in funding, staff understand that federal funds from laws like the Inflation Reduction Act and the Bipartisan Infrastructure Bill are the most vulnerable. In addition, sustained federal funding for long-term programs like the Building Resilient Infrastructure and Communities (BRIC) Program and the Climate and Health Program have also either been terminated or are at risk. State funding budgets, which advanced in recent years to match federal programs as well as create discrete programs, now face significant pressures due to federal funds being rolled back across the board. This means that there are significantly fewer discretionary funds for this work across all funding types.

Understanding the state's priorities will be critical in this time of reduced funding, the Climate Action Office (CAO), with the support of the Inter-Agency Advisory Board to the CAO finalized two critical efforts to prioritize funds. The Resilience Implementation Strategy (RIS) builds off the considerable work across State Government to identify and prioritize climate resilience needs and evaluate the sufficiency of available funding. The CAO was able to direct some seed money to advance a suite of priority actions in this year's budget. The projects range from onsite farm planning for climate resilience to the development of a hydraulic mapping platform. Additionally, the Climate Council, with the support of state government, updated Vermont's Climate Action Plan. The Plan includes a "top 10" list of priority recommendations which the Council heard strong support for from Vermonters to include during the public engagement around the Plan.

Despite the challenges at hand, the current Fiscal Year (FY) 2026 Climate Funding Report outlines strategic investments and initiatives to advance climate action in Vermont. The funds highlighted in this report have the primary benefit of climate, but it is important to note that there is a significant amount of other funding in the state budget that supports climate outcomes. Examples of funds that have climate outcomes but are not included are here are clean water funding that supports resilience outcomes and the Clean Energy Development Fund which was developed to increase the deployment of cost-effective and environmentally sustainable electric power resources, primarily with respect to renewable energy resources, and the use in Vermont of combined heat and power technologies. From FY 2025, there has been a decrease in climate funding with a total report of $159,382,377 for FY 2026.

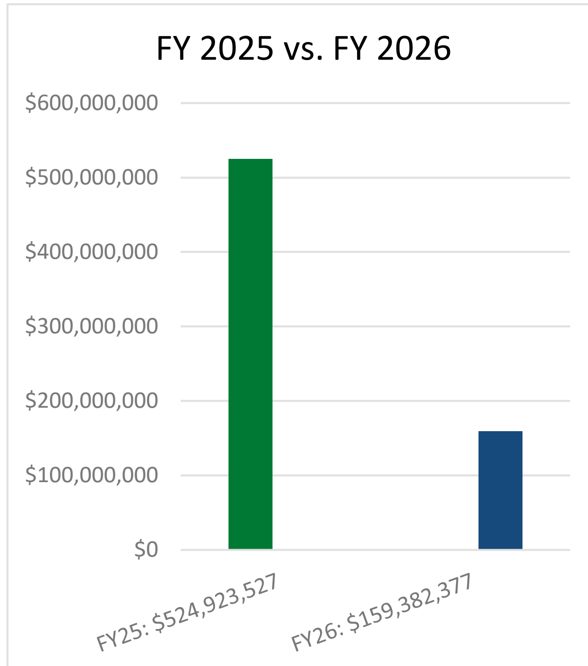
These reports highlight point-in-time distribution of funding between state and federal sources, one-time vs. ongoing investments, and the types of climate actions they support. FY 2026 funds are those that were *newly* allocated in the FY 2026 budget. They do not include rolled-over funds from prior years that have yet to be spent.

The Inter-Agency Advisory Board includes the following governmental agencies and partners:

- Agency of Agriculture, Food & Markets
- Agency of Commerce & Community Development
- Agency of Human Services (Department of Children & Families, and Department of Health)
- Agency of Natural Resources
- Agency of Transportation
- Department of Buildings & General Services
- Department of Labor
- Department of Public Service
- Vermont State Climatologist
- Vermont Division of Emergency Management

Climate Funding from FY 2025 to FY 2026

The FY26 budget reflects a decrease in climate funding compared to FY25. The decrease reflects both the abrupt redirection of federal funding for programs such as "Solar for All", as well as the winding down of time-limited federal resources from laws such as the Bipartisan Infrastructure Bill. We expect this to be the trend in the coming years rather than a one-off. Other valuable programs that funding will be spent down on soon include funding for weatherization across multiple programs deployed by the Office of Economic Opportunity and electric vehicle charging funding through the National Electric Vehicle Infrastructure program. These programs support direct climate solutions for Vermonters (weatherization of their homes) as well as the infrastructure needed to support Vermonters in making climate-smart decisions (purchasing an EV).



State vs. Federal Funding

Federal funds come from taxes and fees paid to the federal government and then are redistributed to states through formula and competitive funding. In FY26, they total $95,939,411. State funds are financial resources generated within Vermont, such as sales tax. In FY26, they account for $63,442,966.

Allocation by Category

Climate funding falls into three main categories.

Mitigation: $132,191,541

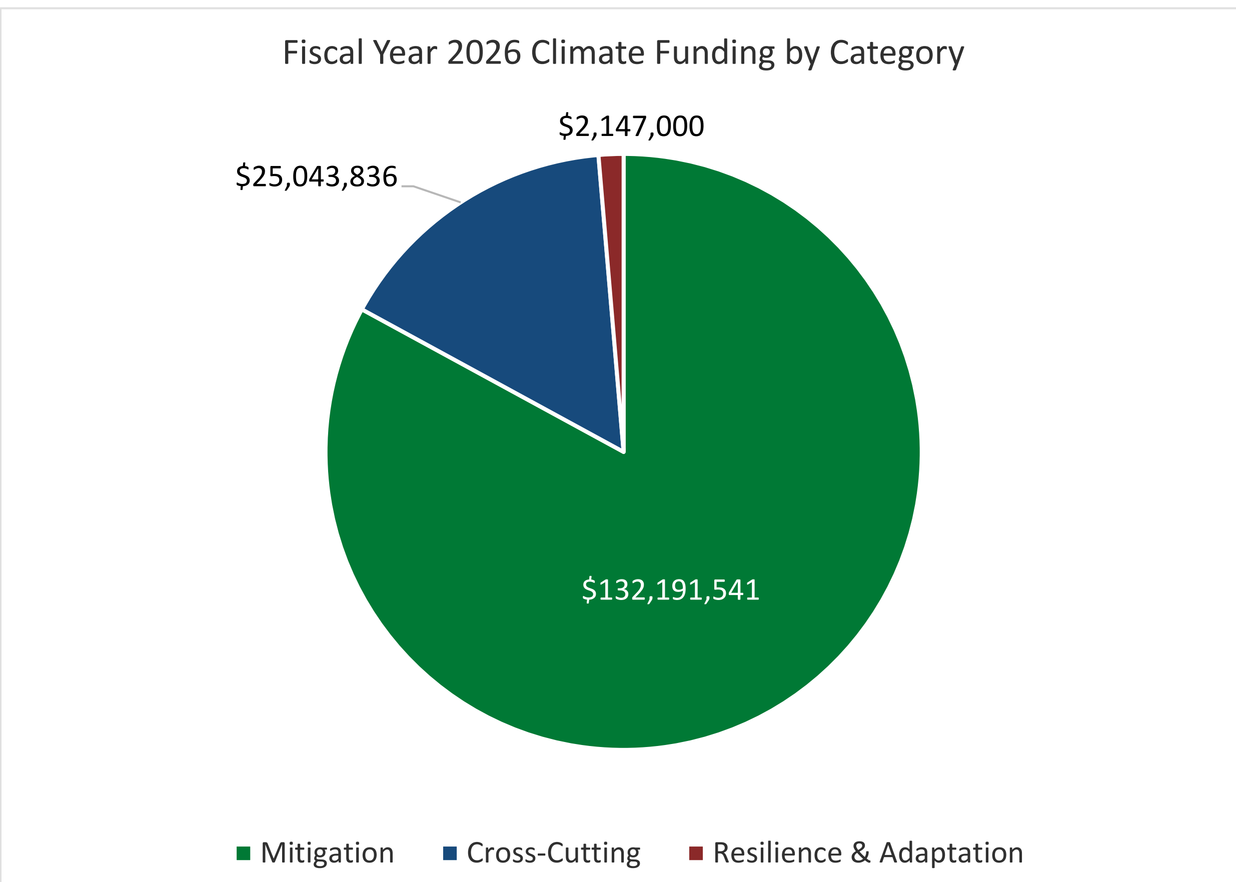
Mitigation efforts reduce greenhouse gas emissions through programs including weatherization, renewable energy projects, and sustainable transportation.

Cross-Cutting: $25,043,836

These programs support overarching goals that intersect with both mitigation and adaptation, such as workforce training and community engagement.

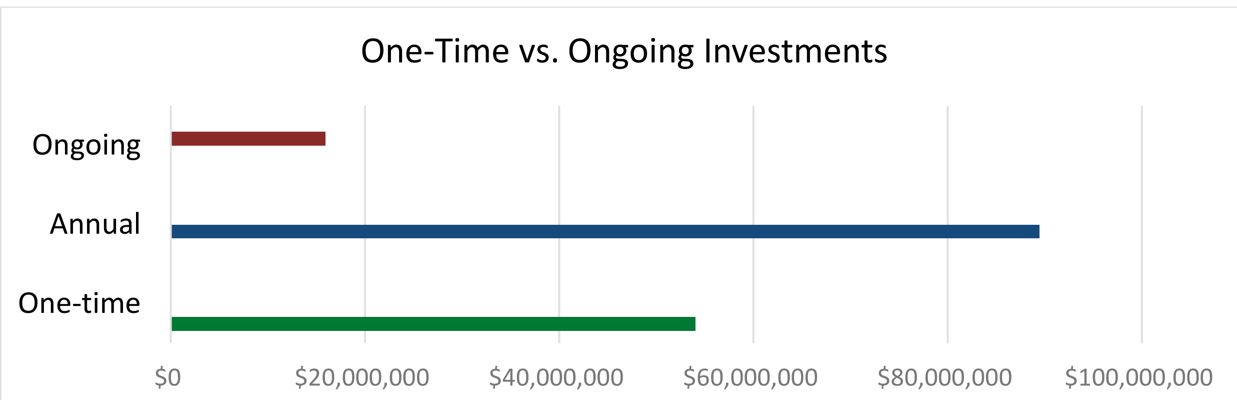
Resilience and Adaptation: $2,147,000

These efforts aim to enhance Vermont's ability to withstand and recover from climate-related impacts. Programs include infrastructure improvements, flood hazard mitigation, and community resilience.



One-Time vs. Ongoing Investments

- **One-Time Funding:** $53,998,984. These funds are allocated for specific projects with immediate impacts and are not expected to recur in subsequent years. If one-time funds were shown in past Vermont State Climate Funding reports, they are not shown again in this report, even if the funding has not been spent down.
- **Ongoing Funding:** $15,947,642. These funds are continually allocated; they are expected to be part of a state agency's budget for multiple years. This type of funding supports the regular, recurring operations and programs of the agency.
- **Annual Funding:** $89,435,751. These funds are allocated to a state agency on a yearly basis. The budget is reviewed and approved each fiscal year, and the agency receives funds to cover its operations and projects for that specific year.



A weatherization crew for Southeastern Vermont Community Action works on a home in Windsor, VT. Photo by Caleb Kenna, courtesy State of Vermont.

Looking Ahead

This FY2026 Climate Funding Report reflects Vermont’s ongoing commitment to reducing greenhouse gas emissions, enhancing energy efficiency, and building resilience to climate change impacts. Looking ahead, the State faces challenges to sustain climate funding. To maximize climate action, the state will look for opportunities for collaboration of federal, state and local partnerships to drive climate action forward. By building upon climate investments and initiatives, State agencies will strive to sustain the momentum of these efforts to support a sustainable and just energy transition for communities across the State.

A staff member at Good Samaritan Haven in Barre charges their electric vehicle using a State-funded charger. Photo courtesy Agency of Commerce and Community Development.