

Federal Funds Update & Approach

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Secretary of Administration

Joint Fiscal Committee

September 18, 2025



Federal Funding Reduction Process – 2025 Act 27 Sec. E.127.2 (c)

“...The Secretary of Administration shall monitor any changes in federal funding as the difference between the baseline federal funding amount for use in fiscal year 2026 and any updated State federal funds revenue forecast adopted by the Emergency Board and shall calculate the percent reduction of the unduplicated function totals for each governmental function unit.”

- The Department of Finance & Management issued guidance to the Executive branch soliciting **monthly** data related to federal funding reductions.
- Updates due to DFM on the first business day of each month for the prior month.
- DFM has received two months of reporting – for July and August – which **did not trigger** any of the thresholds in Act 27.

Federal Funding Reduction Parameters

			Secretary of Administration		Secretary of Administration
		Mandatory:	Notify Joint Fiscal Committee	Mandatory:	Spending Authority Reduction and Transfer Plan
		Discretionary:	Spending Authority Reduction Plan	Discretionary:	Not Applicable
Function	Unduplicated Total	0.50%	2,000,000	25%	50,000,000
General Government	186,980,562	934,903	2,000,000	46,745,141	46,745,141
Protection	658,616,317	3,293,082	3,293,082	164,654,079	50,000,000
Human Services	3,660,499,985	18,302,500	18,302,500	915,124,996	50,000,000
Labor	50,664,933	253,325	2,000,000	12,666,233	12,666,233
General Education	488,208,431	2,441,042	2,441,042	122,052,108	50,000,000
Higher Education	137,356,575	686,783	2,000,000	34,339,144	34,339,144
Natural Resources	332,459,729	1,662,299	2,000,000	83,114,932	50,000,000
Commerce & Community Development	167,844,428	839,222	2,000,000	41,961,107	41,961,107
Transportation	827,461,369	4,137,307	4,137,307	206,865,342	50,000,000
Debt Service	675,000	3,375	2,000,000	168,750	168,750
Total	6,510,767,329	32,553,837	40,173,931	1,627,691,832	385,880,375

Human Services – Health Care

- HR.1 – **bars all Medicaid** funding for one year to **Planned Parenthood**
 - Planned Parenthood of Northern New England (PPNNE) is a critical safety net healthcare provider for much of Vermont's Medicaid population.
 - Total estimate of lost federal share = \$1.1 million.
 - The implementation of this funding freeze was initially delayed due to legal challenges.
 - Last week there was an appeals court decision to allow the ban to proceed while ongoing legal challenges continue.
- Rural Health Transformation Program – CMS - \$50 billion
 - Details released by CMS on how states can apply to the program on 9/15/2025.
 - Funds will be allocated to states over 5 years, \$10 billion available each year starting in FFY26.
 - \$25 billion to be evenly distributed to states with approved application.
 - \$25 billion to be awarded to approved states based on individual state metrics and applications with the greatest potential for and scale of impact on health of rural communities.
 - Deadline to apply is 11/5/2025.
 - Awards announced by 12/31/2025.

Human Services - SNAP/3SquaresVT

- [DCF's Legislative Report](#) – 9/15/2025.
- HR.1 - Changes take effect at different times between 2025 and 2027.
- Effective upon passage - work requirements:
 - Removes three exemptions – experiencing homelessness, veterans, aged out of foster care.
 - Increases the age of those subject to work requirements from 55 to 65.
 - Changes the exemption for those with dependent children in the household from under age 18 to under age 14.
- Effective 10/1/2025 – removes all funding for the SNAP-education program.
- Effective 10/1/2026 - Administrative Cost Sharing – reduces federal portion of admin costs from 50% to 25% - estimated \$8.4 million state impact in the FY27 budget.
- Effective 10/1/2027 – new benefit cost sharing requirements for SNAP benefits based on error rate. VT's rate for FFY24 was 5.13%.
 - **Below 6% = 0% state match**
 - 6 % to 7.99% = 5% state match
 - 8% to 9.99% - 10% state match
 - 10% or higher = 15% state match
- [DCF Press Release](#) - for changes taking effect on 10/1/2025, most 3SquaresVT households will see an increase in benefits or no change at all.
- What comes next? Review of non-US citizen household members as required by federal law and work requirement changes in eligibility system.

Human Services - Low Income Heating Assistance Program (LIHEAP)

- In March 2025, Federal Health and Human Services announced a downsizing and restructuring of the agency. The Department of Energy Assistance was eliminated but the LIHEAP program was not.
- The federal budget process for LIHEAP, which provides fuel assistance in Vermont is still underway for FFY 2026 (beginning 10/1/2025). Funding details are not finalized.
 - In July 2025, the U.S. Senate Appropriations Committee approved \$4.045 billion for LIHEAP nationally, a \$20 million increase over the current year.
 - In September, the U.S. House Appropriations Subcommittee on Labor, Health and Human Services passed its own version of the funding bill, setting LIHEAP at \$4.035 billion, a \$10 million increase from this year but slightly below the Senate's level.
 - Both bills must still be considered by the full U.S. Senate and U.S. House. If passed in their current form, the differences would be resolved in a conference committee to determine the final funding level.
- If Congress approves a funding bill on time, DCF would issue seasonal fuel benefits around mid-November 2025.
- DCF is working on a plan for a federal government shutdown if one occurs.