



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

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H.775 – An act relating to creating tools for housing production

As recommended by the House Committee on General and Housing, Draft 3.1¹ⁱ

Bill Summary

This bill as recommended would create various policy tools to support housing development in Vermont, including:

- allowing municipalities to issue revenue bonds for public improvements that benefit a limited area of the municipality;
- increasing the cap for the “10% for Vermont” program to 12.5% of the State’s average cash balance – of the increase, up to 1% could be used for bulk purchasing of off-site constructed housing;
- creating the Vermont Housing Special Fund, which would consist of interest retained by the Treasurer under the expanded 12.5% facility and the existing 2.5% facility for climate investments, instead of remitting that interest to the General Fund;
 - revenues in the Vermont Housing Special Fund would be used to provide capital for housing projects in Vermont;
- creating an off-site construction accelerator pilot that would explore purchasing, regulation, and permitting of modular homes;
- requiring municipalities to include with their municipal plans an identification and analysis of existing and projected housing needs; and
- creating two grants management positions at the Department of Housing and Community Development (DHCD).

The bill would allow the Treasurer to retain interest from credit facilities and provide capital for housing projects in Vermont.

Fiscal Impact

Under current law, interest generated by lending through the Treasurer’s existing credit facilities flows to the General Fund – retaining that interest for the Vermont Housing Special Fund would result in an estimated \$1.2 million loss of General Fund revenue in fiscal year 2027 based on expected trends in borrowing.

¹ *The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this fiscal note is meant to provide information for legislative consideration, not to provide policy recommendations.*

Background and Details

The current 10% for Vermont program makes low interest loans primarily for various housing projects. Interest rates range from 1% to 2.5%, depending on the longer of loan term/amortization (e.g., an amortization period of less than five years = an interest rate of 1%, five to 10 years = 1.5%, etc.). The amount of money available to lend is currently capped at 10% of the State's average cash balance. The potential capacity for the program has increased substantially in recent years, largely due to increases in federal funds received by the State in the wake of the COVID-19 pandemic. The average cash balance was \$321.5 million in fiscal year 2020 but increased to \$2.2 billion in fiscal year 2023, before decreasing to \$1.6 billion in fiscal year 2025 as more federal funds were spent down. The Local Investment Advisory Committee (LIAC), which oversees the 10% for Vermont program, has authorized a cap of \$120 million for the 10% credit facility, assuming an estimated \$1.2 to \$1.5 billion average cash balance through fiscal year 2027.²

The increase in the State's cash balance has increased interest income available to the General Fund. Between fiscal year 2022 and fiscal year 2025, interest income available to the General Fund increased from \$2.3 million to \$58.6 million. The January 2026 Consensus Revenue forecast estimates that the General Fund will have \$27.5 million in available interest income in fiscal year 2027. However, in the absence of future significant one-time federal funding, the State's cash balance is expected to decrease.

In future fiscal years, the Treasurer could start to leverage expanded lending capacity made available through this bill. Based on estimates of the State cash balance at the end of fiscal year 2027, an extra \$30 million could be awarded to housing projects by increasing lending from 10% of the State's cash balance to 12.5%. However, it often takes time for awardees to draw down funds, and it would take a few years for this capacity to be fully realized. The Treasurer does not expect to issue any loans from the expanded facility in fiscal year 2027.

At full utilization, the expanded 12.5% credit facility and existing 2.5% climate facility could result in up to \$180 million in loans to various projects. The combined fiscal impact of these provisions could result in up to approximately \$3.1 million in annual forgone General Fund interest income. However, it would take multiple fiscal years for the Treasurer to utilize increased lending capacity, and it is unlikely that the full potential amount would be leveraged in any single fiscal year.

Over time, the State's cash balance is expected to decrease. As that happens, the amount of money that could be awarded through both credit facilities would also decrease, potentially limiting the fiscal impact of this bill. The figures presented above should be considered maximum potential impacts.

The off-site construction accelerator pilot specifies that municipal planning grants shall be made available to municipalities participating in the pilot, but it does not specify a funding source for these grants.

This bill creates, but does not include funding for, two grants management positions at DHCD.

¹ The full fiscal note history is available on the fiscal tab of the bill page on the General Assembly website and can be pulled up through a bill number search on the JFO page.

² <https://www.vermonttreasurer.gov/sites/treasurer/files/20250609%20LIAC%20meeting%20minutes%20draft%201.docx>