



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

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S.328 – An act relating to housing and common interest communities

As recommended by the Senate Committee on Appropriations, Draft 1.1¹

Bill Summary

This bill as recommended would make various changes to various housing programs and policies, including the 10% for Vermont Program and the State Community Investment Program. It would also create the Service-Supported Housing Advisory Council.

Fiscal Impact

- The bill would increase the cap for the 10% for Vermont Program, which is operated by the Office of the State Treasurer, to 12.5% of the State's average cash balance. This provision would result in forgone interest income of up to \$600,000 in future fiscal years – it would not have a fiscal impact in fiscal year 2027.
- The bill would also allow New Town Centers (NTC) to fully participate in the center designation process through the State Community Investment Program. Currently there are 3 NTCs in Vermont – Berlin, Colchester, and South Burlington. Under current law, these centers will be designated as a Step 2 once the Land Use Review Board (LURB) approves regional plans. The bill would allow these NTCs to become a Step 3 center if they meet the various requirements for that step. Step 3 center designation allows access to State funding and grant programs, such as the Sales Tax Reallocation Program, and Downtown Vibrancy Grants. Future NTCs would also be able to participate in Steps 2 and 3 of the center designation program if they meet the requirements for either step. This fiscal impact of this provision is unknown.

Background and Details

The following sections have a fiscal impact.

Section 1: Municipal Planning

This section would require the housing element in municipal plans to include information on regulatory and physical constraints preventing the development, redevelopment or rehabilitation of sufficient housing to

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meet housing targets, and information on progress towards construction of the housing units identified as needed to meet projected housing targets.

Section 3: Vermont State Treasurer Credit Facility - 10% for Vermont Program

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 length of loan term/amortization. The amount of money available to lend is currently capped at 10% of the State's average cash balance.

Increasing the cap for the 10% for Vermont Program, which is operated by the Office of the State Treasurer, to 12.5% of the State's average cash balance would result in forgone interest income of up to \$600,000 in future fiscal years – it would not have a fiscal impact in fiscal year 2027.

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 average 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. In the absence of future significant one-time federal funding, the State's average cash balance is expected to decrease. As that happens, the amount of money that could be awarded through credit facilities would also decrease, potentially limiting the fiscal impact of this bill. As such, the figures presented here are maximum potential fiscal impacts.

Section 9: State Community Investment Program

New Town Centers (NTC) are areas of a municipality that meet certain planning, density, capital, and infrastructure requirements. There are three NTCs in the state: Berlin, Colchester, and South Burlington. Section 9 would allow all three NTCs to reach Step Three of the center designation process if they meet all the other requirements. This would give these NTCs the benefits listed below, which includes access to various funding sources.

The main fiscal impact would be increased eligibility through the Sales Tax Reallocation Program. Between 2021 and 2025, the program awarded eight projects in five municipalities a combined \$3.5 million in reallocated sales tax.³ Since sales taxes flow to the Education Fund, the change could increase forgone revenue to the Education Fund, though the annual impact depends on the number of projects that qualify and whether any current or future NTCs reach Step Three designation and qualify for the program.

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

³ https://outside.vermont.gov/agency/ACCD/ACCD_Web_Docs/CD/CPR/Funding-and-Incentives/CPR-SalesTax-Annual-Report.pdf?_gl=1*1mcxiby*_ga*MzI4MTE2NjA3LjE3NjE4NTc3NDk.*_ga_V9WQH77KLW*czE3NzQzNjAwMjQkbzMwMCRnMSR0MTc3NDM2MTcxOCRqNTc3kbDAkaDA

CENTER BENEFITS	Step 1	Step 2	Step 3
Downtown Vibrancy Grant Funding			X
Sales Tax Reallocation Funding			X
National Main Street America Accreditation Eligibility			X
Placemaking/Wayfinding/Off-Site Signage Exemptions			X
Housing Permit Appeals Limitations			X
Location Priority for State Office Building Development			X
Downtown Transportation Improvement Fund Eligibility			X
Better Connections Grant Funding Priority		X	X
Infrastructure Funding Priority		X	X
Priority Consideration for State and Federal Affordable Housing Funding		X	X
Municipal Authority to Create Special Taxing District		X	X
Priority Consideration for State/Federal Funding		X	X
Authority to Lower Speed Limits <25 mph		X	X
State Water/Wastewater Permit Fee Reduction		X	X
Exemption from Land Gains Tax		X	X
DHCD-Assistance on Municipal Historic Preservation Regs.		X	X
Other benefits under Department, Program or Board guidelines.		X	X
Funding Priority for Municipal and Regional Planning Resilience Fund	X	X	X
o Municipal Plans/Visioning/Assessment	X	X	X
o Special Purpose Plans		X	X
Better Places Grant Funding (<i>not currently funded</i>)	X	X	X
Downtown & Village Tax Credit Funding	X	X	X

Source: Department of Housing and Community Development

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.