



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 Economic Development, Housing, and General Affairs, Draft 3.1¹

Bill Summary

This bill as recommended would make various changes to various housing programs and policies, including the Vermont Housing Finance Agency (VHFA) Down Payment Assistance Program and the 10% for Vermont Program. It would create the Service-Supported Advisory Council, authorize three positions at the Department of Housing and Community Development (DHCD), and make appropriations to the Municipal and Regional Planning and Resilience Fund and the Vermont Housing Improvement Program.

Fiscal Impact

The bill would have a few different fiscal impacts, as summarized below:

- The bill would authorize \$350,000 in first-year credit allocations for loans through the VHFA Down Payment Assistance Program in fiscal years 2027 through 2031. The impact would be \$350,000 of forgone General Fund revenue in fiscal year 2027 and increase by \$350,000 per year, peaking at \$1.75 million in fiscal year 2031 before phasing down by \$350,000 per year through fiscal year 2035.
- 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.
- Members of the newly-created Service-Supported Advisory Council would be eligible to receive per diems and expense reimbursement at a cost of approximately \$3,600 per year.
- The bill would create three positions at DHCD. These positions are not funded in the bill:
 - two full-time, classified Grants Management Specialist Housing and Community Development positions; and
 - one full-time, exempt position to increase capacity to administer programs.
- In fiscal year 2027, the bill would appropriate from the General Fund:
 - \$250,000 to the Municipal and Regional Planning and Resilience Fund (MRPF) to increase municipal planning grants for municipalities seeking to meet the housing targets in Act 181

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.*

- (2024); and
- o \$5,000,000 to the DHCD for the purposes of funding the Vermont Housing Improvement Program (VHIP).

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 meet housing targets, and information on progress towards construction of the housing units identified as needed to meet projected housing targets. Appropriations in Section 11 of the bill would provide additional planning grants from the MRPf, which receives funding from the property transfer tax. Sec. D.100 of the Governor’s recommended fiscal year 2027 budget would make \$1,323,397 available to municipalities through the MRPf before the addition of the \$250,000 appropriation in Section 11.

Section 2: Down Payment Assistance Program

Section 2 would authorize up to \$350,000 in total first-year credit allocations for loans through the VHFA Down Payment Assistance Program from fiscal year 2027 through fiscal year 2031. Under current law, up to \$250,000 of total first-year credit allocations were authorized each year from fiscal year 2020 through fiscal year 2026. These tax credits are available to the taxpayer in the amount of the first-year allocation plus the succeeding four years’ deemed allocations. VHFA uses the proceeds from the sale of these tax credits to provide down payment assistance to qualified homebuyers.

The fiscal impact of this provision will vary by year, as tax credits are awarded and claimed across a five-year period. The impact will be \$350,000 of forgone General Fund revenue in fiscal year 2027 and increase by \$350,000 per year until peaking at \$1.75 million in fiscal year 2031. It will then phase down by \$350,000 per year through fiscal year 2035.

Fiscal Impact of Increase in Down Payment Assistance Tax Credits
(Source: Vermont Housing Finance Agency)

Cash Flow for Increase in Down Payment Assistance Tax Credits (FY27 to FY35)

		Current Commitments			Proposed Additional Credits						
Fiscal Year	Status	FY26	FY27	FY28	FY 29	FY 30	FY31	FY32	FY33	FY34	FY35
2021	Sold										
2022	Sold	\$250,000									
2023	Sold	\$250,000	\$250,000								
2024	Sold	\$250,000	\$250,000	\$250,000							
2025	Sold	\$250,000	\$250,000	\$250,000	\$250,000						
2026	In process	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000					
2027			\$350,000	\$350,000	\$350,000	\$350,000	\$350,000				
2028				\$350,000	\$350,000	\$350,000	\$350,000	\$350,000			
2029					\$350,000	\$350,000	\$350,000	\$350,000	\$350,000		
2030						\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	
2031							\$350,000	\$350,000	\$350,000	\$350,000	\$350,000
Annual claims of credits already approved		\$1,250,000	\$1,000,000	\$750,000	\$500,000	\$250,000	\$0	\$0	\$0	\$0	\$0
Increased cost to VT of proposal		\$0	\$350,000	\$700,000	\$1,050,000	\$1,400,000	\$1,750,000	\$1,400,000	\$1,050,000	\$700,000	\$350,000

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 6:

The Service-Supported Housing Advisory Council would identify opportunities for increased alignment between human services programs and policies serving individuals who receive Medicaid-funded Developmental Disability Services and housing capital and support services programs. The council would be overseen by the Department of Disabilities, Aging, and Independent Living and comprised of:

- one member, appointed by the Vermont Housing and Conservation Board;
- the Secretary of Human Services or designee;
- the Commissioner of Disabilities, Aging, and Independent Living or designee;
- the State Treasurer or designee;
- the Commissioner of Housing and Community Development or designee;
- two members, appointed by the Developmental Disabilities Housing Initiative;
- the Executive Director of the Vermont Developmental Disabilities Council or designee;
- two members, appointed by Green Mountain Self-Advocates; and
- one member, appointed by Vermont Care Partners

The council would meet monthly and deliver a report annually to the House Committees on Housing and General and on Human Services and the Senate Committees on Economic Development, Housing and General Affairs and on Health and Welfare on various aspects of service-supported housing programs and policies and offer recommendations for further legislative action. Per-diem compensation would be paid as permitted under 32 V.S.A. § 1010 for not more than 12 meetings per year.

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

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

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. 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 NTCs in Berlin and Colchester reach Step Three designation and qualify for the program.

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

Section 10: Positions

Section 10 would create three positions at DHCD – two full-time classified Grants Management Specialist Housing and Community Development positions and one full-time position to increase capacity to administer various programs at the Department. Those positions are estimated to cost \$400,000 in total per year.

Section 11: Appropriations

Section 11 makes the following General Fund appropriations in fiscal year 2027:

- \$250,000 to the Municipal and Regional Planning and Resilience Fund to increase available municipal planning grants for municipalities seeking to meet the housing targets established pursuant to Act 181 (2024).
- \$5,000,000 to the Department of Housing and Community Development’s base budget for the purpose of funding the Vermont Rental Housing Improvement Program (VHIP). As part of the base budget, this provision would represent a recurring cost in future fiscal years.

ⁱ 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.