



VERMONT LEGISLATIVE
Joint Fiscal Office

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

Fiscal Note

May 28, 2026

Ted Barnett, Senior Fiscal Analyst

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

Senate Proposal of Amendment¹ⁱ

Bill Summary

This bill as recommended would make various changes to housing programs and policies, including the 10% for Vermont Program. It would also create the Service-Supported Housing Advisory Council and the Off-Site Construction Accelerator Pilot.

Fiscal Impact

- Section 2 would authorize per-diems for members of the Service-Supported Housing Advisory Council. These per-diems would cost the Department of Disabilities, Aging, and Independent Living approximately \$8,000 annually.
- Section 3 would increase the cap for the 10% for Vermont Program, which is a lending program operated by the Office of the 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 Treasurer would be able to use a portion of the funds from the expanded lending program to facilitate the bulk purchasing of off-site constructed housing through the Off-Site Construction Accelerator Pilot, which would explore the possibility of reducing housing development costs through modular construction.
- Section 9 would 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 and depends on the number of qualifying projects in designated areas.

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 following sections have a fiscal impact:

Section 2: Service-Supported Housing Advisory Council

Section 2 would create the Service-Supported Housing Advisory Council, comprised of 11 members, which 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 programs. The Council would report annually to committees of jurisdiction on its activities and recommendations for legislative action. The bill would authorize per-diems for Council members, which would be paid for through the Department of Disabilities, Aging, and Independent Living's base budget. These per-diems would cost an estimated \$8,000 per year.

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

The current 10% for Vermont Program makes low interest loans primarily for 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 Program 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 grew 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 current program, assuming an estimated \$1.2 to \$1.5 billion average cash balance through fiscal year 2027.² Consequently, approximately \$30 million could be made available through the Program with the proposed change.

The increase in the State's average cash balance has also increased interest income available to the General Fund. Between fiscal years 2022 and 2025, interest income available to the General Fund grew 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 4: Off-Site Construction Accelerator Pilot

The Off-Site Construction Accelerator Pilot would be developed and administered by the Office of the State Treasurer and could consider the following strategies for increasing the availability of housing:

1. bulk purchasing of modular homes;
2. creating a loan loss reserve for construction loans;
3. utilization of off-site construction; and
4. establishing a statewide procurement consortium for the bulk order of modular units and materials.

The Treasurer could also solicit information about developer needs and priorities and identify the possibility of a State guarantee or other device to facilitate bulk purchasing of homes constructed off-site. The Treasurer would be required to report to committees of jurisdiction by January 15, 2027 on findings and recommendations for legislative action.

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

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 3 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, which allows municipalities to use sales tax from project construction materials to develop infrastructure that serves the project. Between fiscal years 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. However, the cap for this program is shared with the cap for the Downtown and Village Tax Credit program, which is currently set at \$3 million in annual awards. Ultimately, the annual impact would depend on the number of projects that qualify for both programs and whether any current or future NTCs reach Step Three designation.

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

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.

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*cZ_E3NzQzNjAwMjQkbzMwMCRnMSR0MTc3NDM2MTcxOCRqNTcKbDAkaDA.