



VERMONT GENERAL ASSEMBLY

# THE FISCAL FOCUS

October 2025 | Vol. 32, No. 2

An Update from the Joint Fiscal Office

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*The Fiscal Focus newsletter is a nonpartisan update prepared by the Joint Fiscal Office (JFO) to inform legislators on current issues while the General Assembly is not in session. As your staff, we believe it is important for a citizen legislature to be kept informed of local, State, and federal financial developments while the General Assembly is adjourned.*

*It is important for us to hear what topics interest you for future issues. If you have any comments or suggestions, please let us know.*

## September Revenue Review

### **General Fund Ahead of Forecast, Education and Transportation Funds Just Short**

The General Fund closed September above its monthly target while the Education and Transportation funds closed below theirs. Combined, they were above target by \$7.4 million, or 2.2%, in September. Year to date the three major funds are \$13.3 million, or 1.6%, above target. A summary of all funds' performance is below. Details on individual fund performance are on the following page.

|                          | September Revenue (millions) | \$ above or below forecast (millions) | % above or below forecast | Year to Date Revenue (millions) | \$ above or below forecast (millions) | % above or below forecast |
|--------------------------|------------------------------|---------------------------------------|---------------------------|---------------------------------|---------------------------------------|---------------------------|
| General Fund (GF)        | \$250.2                      | \$9.0                                 | 3.7%                      | \$575.5                         | \$13.4                                | 2.4%                      |
| Education Fund (EF)      | \$63.4                       | -\$1.2                                | -1.9%                     | \$197.4                         | \$0.4                                 | 0.2%                      |
| Transportation Fund (TF) | \$28.1                       | -\$0.4                                | -1.4%                     | \$80.8                          | -\$0.5                                | -0.7%                     |

## September Revenues (continued)

### GENERAL FUND

The General Fund was above target by \$9 million, or 3.7%, for the month of September. Year to date, it is above forecast by \$13.45 million, or 2.4%. September revenues were boosted by the Personal Income Tax, which ended the month above target by \$9.8 million, or 7.2%. For the year, it is above forecast by \$14.1 million, or 4.6%. Multiple components of the tax, rather than a single event, outperformed the forecast.

### EDUCATION FUND

The Education Fund was below target by \$1.2 million, or -1.9%, in September but remains above forecast by \$0.4 million, or 0.2%, so far this year. The Sales and Use, Meals and Rooms, and Purchase and Use taxes were all slightly below target, as was Lottery revenue.

### TRANSPORTATION FUND

The Transportation Fund was below target by \$0.4 million, or -1.4%, for the month. Year to date, it is below forecast by \$0.5 million, or -0.7%. Gas Tax revenue was below target by \$0.1 million, or -1.2%, in September while the Diesel Tax was above target by the same amount. Purchase and Use Tax and Department of Motor Vehicles fee revenue were both slightly below target as well.

## Fall JFC Meetings Focus on Funding Shortfalls

### ***Committee Approves AOT Rescission Plan; Hears About Federal Shutdown***

The Joint Fiscal Committee (JFC) met in September to hear fiscal updates from the Administration and to review the Agency of Transportation's (AOT's) rescission plan. In July, the Emergency Board adopted a revenue forecast for the Transportation Fund that was \$7.5 million less than the forecast used to build the fiscal year 2026 transportation budget. As a result, AOT had to make changes to appropriations to align its budget with anticipated revenue. Prior to JFC's meeting, the Joint Transportation Oversight Committee (JTOC) met to review the updated forecast and AOT's rescission plan. At its meeting, JFC voted 9-1-0 to approve AOT's plan, which is available [here](#).

JFC met again on October 16 to hear from members of the Administration on the status of the federal government shutdown, health care premium assistance changes, the implementation of Medicaid rule changes, and the return to office order for State employees. The Committee also heard from representatives of the Congressional delegation on the shutdown.

Secretary of Administration Sarah Clark spoke to the Committee about the status of federal funding cuts. Thus far, the State has seen \$12 million in federal funding reductions. Almost \$2 million of that was related to the rescission of technical assistance funds

for the U.S. Department of Agriculture's Natural Resources Conservation Service (USDA-NRCS) Regional Conservation Partnership Program. Funds were for contracts to provide technical assistance to farmers and forest landowners for water quality practice implementation. Additionally, \$8.1 million in direct to recipient grants was cut. Direct grants such as those, however, aren't accounted for as funds to the State; therefore their elimination isn't considered a reduction of State funds.

Section E.127.2 of Act 27 (2025; the fiscal year 2026 Big Bill) created a process for the State to respond to reductions in federal funds while the General Assembly is not in session. The section outlines how and when the Secretary of Administration shall notify the Joint Fiscal Committee of federal funding reductions and develop a response to them. Thus far, no reduction threshold outlined in that section has been hit. For more information on the Act 27 federal funding reduction process, please see this [JFO presentation](#) from the Committee's July meeting (slides 4 through 10).

On the federal government shutdown, Secretary Clark discussed the Department of Finance and Management's initial approach to the situation. On

September 22, the Department instructed State agencies and departments to draw down receipts for all eligible federal expenditures through September 30. Per Act 27, the Department receives monthly reports from agencies and departments on the status of federal funds. Secretary Clark affirmed that the Cabinet is in weekly communication and that the Administration is coordinating with the Treasurer's office as well.

Treasurer Pieciak reported that the State's cash balance is close to what it was at this point in the same quarter last fiscal year (Q2, ending on December 31, 2024) – roughly \$1.5 billion, of which between \$700 and \$800 million is currently unrestricted and could be used for internal lending. The State has roughly \$224 million in General Fund expenditures and roughly \$647 million in federal expenditures each month, excluding funds from other sources that go directly into separate accounts or directly to recipients, such as American Rescue Plan Act (ARPA) Federal Highway

Administration (FHWA) funds. Medicaid is largest federal program that directs funds to the State, \$1.6 billion annually. The State has already received its award for the quarter ending on December 31.

The Treasurer noted that moving unrestricted funds in response to a federal shutdown, funding cut, or other unforeseen circumstance could be difficult if there is no expectation of future federal reimbursement. In that situation, that could be considered spending rather than lending, which the Treasurer's office would not have the authority to do.

In addition to the unrestricted funds, the State has \$389 million across all General Fund reserves, although using these reserve funds could affect Vermont's credit rating. Act 27 appropriated \$50 million to the Agency of Administration to respond to unforeseen circumstances. More on this appropriation is in the article on the Emergency Board's October meeting.

## Emergency Board Makes SNAP Decision

### ***Board Moves Funds to Ensure Food Benefits Continue in November***

The Emergency Board convened on October 29 to respond to the federal government shutdown and the potential lapse in funding for the Supplemental Nutrition Assistance Program (SNAP), or 3SquaresVT as it is called in Vermont.

Over 38,000 households are currently enrolled in 3SquaresVT. The program provides funds through Electronic Benefit Transfer (EBT) cards and direct deposit infrastructures (for elderly households). Funds are used by low-income Vermont households to directly purchase food.

To respond to the potential lapse in funding for the program, the Board approved a one-time emergency benefit of approximately \$6.2 million. This will provide households enrolled in the program with an amount equivalent to approximately 15 days of the regular 3SquaresVT benefit.

The table on the following page was included in the [Board's agenda](#) and shows the estimated number of households by size, the corresponding estimated average 15-day benefit, and the estimated total for each household size group.

The benefit will be distributed by the Department for Children and Families' Economic Services Division (DCFESD) on or before November 7. It will go through existing payment structures. This will require IT configuration and implementation work to create and load the State-funded benefit onto existing EBT cards. IT and other related costs to set up the emergency benefit total slightly less than \$100,000.

The Board also approved a one-time grant of \$250,000 to the Vermont Foodbank to support additional food purchase for food shelves until the emergency 3SquaresVT benefit is distributed.

To cover the cost of these actions, approximately \$6.5 million total, the Board utilized part of the \$50 million appropriation made to the Agency of Administration in Section B.1101(b)(2) of Act 27. That appropriation was for the Emergency Board, pursuant to 32 V.S.A. §133, to transfer funds while the General Assembly is not in session in the event of a reduction in federal funds to the State.

Following past shutdowns, the federal government has reimbursed states for expenditures related to

## Emergency Board (continued)

federal programs incurred during a shutdown. This is, however, not law and it is uncertain if funds will be reimbursed. The materials in the Board's agenda note that reimbursement is unlikely. For more information on past shutdowns and typical impacts, please see JFO's [latest issue brief](#) on the subject.

There were concerns about the funding for the Low Income Home Energy Assistance Program (LIHEAP) raised at the October JFC meeting, however after

review the Board determined that emergency measures to ensure continued funding of that program were not necessary. The State will continue to operate LIHEAP as normal in anticipation of federal funds being delivered following the shutdown.

If the federal government shutdown continues, the Board plans to reconvene on or before November 13 to determine how best to respond to the needs of Vermonters.

| Emergency 15-day 3SquaresVT Benefit by Household Size                             |                                 |                          |             |
|-----------------------------------------------------------------------------------|---------------------------------|--------------------------|-------------|
| Size                                                                              | Estimated Number of Households* | Average 15-day Benefit** | Total       |
| 1                                                                                 | 26,683                          | \$118                    | \$3,148,594 |
| 2                                                                                 | 5,237                           | \$180                    | \$942,660   |
| 3                                                                                 | 2,933                           | \$279                    | \$818,307   |
| 4                                                                                 | 1,801                           | \$334                    | \$601,534   |
| 5                                                                                 | 907                             | \$376                    | \$341,032   |
| 6                                                                                 | 431                             | \$419                    | \$180,589   |
| 7                                                                                 | 153                             | \$472                    | \$72,216    |
| 8                                                                                 | 63                              | \$522                    | \$32,886    |
| 9                                                                                 | 20                              | \$676                    | \$13,520    |
| 10 or more                                                                        | 18                              | \$561                    | \$10,098    |
| *This is a point-in-time count and may change based on actual November 1 caseload |                                 |                          |             |
| **Benefits will be calculated on an actual household basis                        |                                 |                          |             |

## The FMAP Ahead Medicaid Match Percentage Projected to Decrease

In October, Federal Funds Information for States (FFIS), released the final federal medical assistance percentage (FMAP) estimates for federal fiscal year (FFY) 2027. FMAP is the share of state Medicaid benefit costs paid by the federal government. It is calculated based on a three-year average of state per capita personal income compared to the national average.

Vermont's current base FMAP for most of the Medicaid program for FFY 2026 is 59.01%. When converted to the State's fiscal year, the FMAP is 58.81%

According to FFIS, Vermont will see an estimated decrease of 1.25% in its base FFY 2027 FMAP. This decrease will translate to an approximate \$13 million reduction of federal matching funds for Vermont's

Medicaid program in State fiscal year 2027. This would be the largest one-time decrease in FMAP since 2014.

Despite the decrease, Vermont's FMAP is still relatively high compared to 2018, which recorded the State's lowest FMAP in the last 40 years — 53.47% (not including enhancements through the Affordable Care Act or the Families First Coronavirus Response Act). More on the history of FMAP rates is available [here](#).

It should be noted that the State receives an enhanced FMAP for the Children's Health Insurance Program (CHIP) and the New Adult population, which was an expansion population under the Affordable Care Act. The vast majority of Medicaid programs that receive federal match, however, get the regular FMAP.

## Talking JITOC

### **Technology Oversight Committee Hears Update on Enterprise Resource Planning**

The Joint Information Technology Oversight Committee (JITOC) met three times this fall.

JITOC was established in 2018 to “oversee investments in and use of information technology in Vermont,” as well as “provide periodic advice on legislative information technology issues.” (2. V.S.A. § 614). The Committee’s oversight powers include State digital infrastructure projects and systems, issues related to computerized records, and cybersecurity.

In recent years, the Committee has also been tasked by the General Assembly with approval authority over the release of funds from the Technology Modernization Special Fund for State information technology (IT) projects.

At JITOC’s August meeting, the Committee elected Senator Robert Plunkett as Chair and Representative Monique Priestley as Vice Chair for the 2026 legislative year. Topics discussed included an update on new and ongoing State IT project from Lisa Gauvin, the Joint Fiscal Office’s (JFO’s) independent IT consultant, as well as presentations from the Agency of Digital Services (ADS) on the rollout of VT Buys.

JFO presented at the Committee’s September meeting about the Technology Modernization Special Fund, which was created in 2022 to finance State investments in IT system upgrades and modernization. While there is no recurring appropriation to the fund, it has received several large one-time appropriations since its creation, which have financed major IT upgrades such as the modernization of the State unemployment insurance system, new IT systems at the Department of Motor Vehicles (DMV), and the enterprise resource planning (ERP) modernization project.

JITOC’s October meeting covered updates on the ERP modernization project from representatives of ADS and the Agency of Administration. Gauvin delivered a [memo](#) analyzing the status of the project since her [original report](#) was released last November. In the memo, Gauvin raised similar concerns to those highlighted in her original report regarding potential implementation challenges. Legislative Counsel also presented on the history of legislative IT oversight in Vermont and reviewed JITOC’s rules of procedure.

JITOC’s next meeting is scheduled for Wednesday, November 12.

## **Updates From the Office (The Joint Fiscal Office)**

JFO staff continue to work on research related to long-term projects and legislative reports. In the coming months we will be publishing issue briefs on a number of different subjects ranging from the Reach Up Program to Blue Cross Blue Shield’s solvency to changes in Vermont’s demographics.

Staff are also working on the legislative budget for fiscal year 2027, preliminary work for the Education Fund, and the report on early child care and education required by Act 73 (2025; an act relating to transforming Vermont’s education governance, quality, and finance systems).

Pursuant to Act 73, JFO issued a Request for Proposal for a contractor to conduct analysis of the foundation formula created by the same act. We received multiple bids and are currently reviewing them.

We are pleased to announce that Julia Richter has been promoted to Principal Fiscal Analyst. Julia will lead our Education Finance Team and continue her exemplary work in that subject area.

We’re also excited to say that James Duffy, who has worked as a fiscal analyst with our Revenue Team for the past year, has accepted the House Appropriations Fiscal Analyst position. James will be taking over for Maria Blair, who retired on October 31 after 40 years of service with JFO.

As a result of James taking on the House Appropriations Fiscal Analyst role, the Revenue Team now has an open Fiscal Analyst position. The posting for that job is available [here](#).

### **Notable Dates**

- The Joint Fiscal Committee meets on Thursday, November 13.
  - The Emergency Board may meet on or before Thursday, November 13.
  - The Joint Fiscal Office is hosting the All-member Briefing on Thursday, December 3.
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