Vermont Affordable Housing Coalition
DRAFT 2014 State Legislative Wrap-Up

BUDGET CHALLENGES

For the seventh year in a row, the Administration and lawmakers confronted a major budget shortfall, this year in the amount of $70+ million. The Administration drew on over $30 million in one-time funds and a proposed health insurance claims assessment of $14 million to help close the gap. Both the House and Senate refused to go along with the claims assessment and so had to look to other revenue sources and cuts to help balance the budget. Further challenges developed along the way, including an additional $1.2 million shortfall discovered after the House finalized its budget and a $2.2 million contract settlement for direct care workers reached after the Senate passed its budget. Tax writing conferees had to raise $5.5 million to make ends meet. In the end, lawmakers passed a balanced $1.44 billion FY15 General Fund budget, for a total of $5.5 billion when all state and federal funds are included.

BUDGET PRIORITIES

Vermont Housing and Conservation Board – VHCB's overall appropriation is $15,950,936, with $15,154,840 of that amount from the Property Transfer Tax (PTT). That represents a $1,140,840, or 8.2%, increase in VHCB's PTT allocation, just $120,000 below the Governor's recommended 9% increase.

Homelessness Reduction and Prevention:

- ***Vermont Rental Subsidy Program*** was doubled from $500,000 to $1 million
- ***Family Supportive Housing*** (FSH) was increased by $200,000, from $400,000 to $600,000
- ***Community Housing Grants*** were level funded at $2.9 million
- ***Emergency Solutions Grants*** were increased by $300,000, from $792,000 to $1.092 million
- ***Temporary Housing*** saw base funding increase by $900,000, from $1.5 million to $2.6 million; current fiscal year funding was increased to $4.1 million through FY 14 Budget Adjustment Act.
- ***Pathways Vermont*** – Mental Health Commissioner Dupre granted Pathways provisional Specialized Service Agency (SSA) status, which opens the way to the organization's sustainability though direct Medicaid billing as of July 1. Finance Commissioner Reardon intends to propose that Pathways receive Global Commitment funding through the FY 15 Budget Adjustment process next winter. Pathways will need to replace $600,000 in lost federal SAMHSA funding in FY 15 and $800,000 in FY 16 to maintain current services to over 200 clients in 6 counties.

Other Housing Related Programs – The following were either level funded or received small increases:

- ***Home Access Program*** – For the last several years, HAP has been funded by VHCB at $435,000 and by DAIL at $100,000. While DAIL funding is level for FY 15, VHCB funding will be set by its board based on the overall VHCB appropriation, which increased by 8.2% and may lead to increased funding for HAP.
- ***Mental Health Vouchers*** were level funded at $1.42 million
- ***Mental Health Housing Recovery & Housing Contingency Funds*** were level funded at $495,075 and $391,734 respectively
- ***Support and Services at Home*** -- SASH was increased 1.6% as part of a general Medicaid provider increase; the Governor's budget had requested a 2% increase
- ***Assistive Community Care Services*** – ACCS was increased 1.6% as part of the general Medicaid provider increase; the Governor's budget requested 2%
- ***HomeShare Vermont & Home Share Now*** received level funding at a combined level of $327,163 -- $179,939 and $147,223 respectively
- ***Transitional Housing for Ex-Offenders*** was level funded at $6.6 million
- ***CVOEO's Mobile Home Project*** was level funded at $70,000

Regional and Municipal Planning – Total appropriation for both funds is $3,400,961, a 6% increase from FY 14; the Governor had requested a 9% increase. $2,924,417 goes to the RPCs, $476,544 to towns.

Landlord-Tenant Outreach & Education – Originally introduced as a stand-alone bill, H.239 would have appropriated $32,000 in one-time funding for landlord-tenant education and outreach, with emphasis on small-time landlords unfamiliar with their rights and obligations under Vermont law. The House-passed bill stalled in Senate Appropriations, but House budget conferees were ultimately able to get the Senate to agree to $30,000. DHCD will initiate an RFP process, which is likely to receive a joint response from Vermont Tenants and the Vermont Apartment Owners Association, whose representatives presented a proposal to the House General Committee as an example of what might be possible.

Reach Up – $1.2 million for substance abuse and mental health funding for Reach Up participants (see below for programmatic changes in H.699).

Weatherization Program is funded at $10.94 million, just over $1 million short of the $12 million needed to help maintain current capacity. There was a concerted effort throughout the session to raise the Gross Receipts Tax on unregulated fuels to increase Weatherization funding, but failed in the waning weeks due to lack of support from the Administration. DCF, OEO, and the Office of Home Heating Fuel Assistance are to develop a plan to advance the coordination of the Weatherization and LIHEAP Programs.

LIHEAP Fuel Assistance -- $23.35 million in combined federal and State funds; this is the second year the State will supplement federal funds in its base budget, this year at $6 million.

- ***Programmatic Changes*** -- In order to continue to qualify for higher federal food stamp benefits ("Heat to Eat"), public and subsidized housing and Section 8 tenants whose rent includes heat will receive a nominal LIHEAP benefit increase from $5 to $21. Households receiving food stamps, whose head of household would not otherwise qualify for LIHEAP, will see a nominal LIHEAP increase from $3 to $21. Roomers with heat included in their rent will see a *decrease* from $50 to $21. Had Vermont not complied with the new $21 Fuel Assistance requirement, approximately 20,900 families would have experienced a decrease in their monthly food stamp benefits, conservatively estimated at an average reduction of $25 per household per month, or $300 annually. That translates into $6,270,000 not available to beneficiaries or to the Vermont economy.
- ***Crisis Fuel Assistance*** -- While last year's program changes restricting Crisis Fuel benefits were not reversed, lawmakers did authorize DCF to provide Crisis Fuel Assistance to income-eligible households that have applied for expedited Seasonal Fuel benefit but have not yet received it. These grants count towards the one Crisis Fuel grant allowed per season for households eligible for the Seasonal Fuel benefit.

ECONOMIC EMPOWERMENT

Reach Up (H.790) – The compromise reached Saturday will allow welfare recipients to earn an additional $50 per month without seeing a decrease in benefits. More importantly, it softens the off-ramp from welfare by preserving the childcare subsidies for an additional year after people move from the Reach Up program to Reach Ahead. Here are the details:

- Extends childcare benefit (100% subsidy) for a full second year for Reach Ahead participants
- Uses caseload savings to pay for childcare benefit; if there's enough funding, the DCF and Finance Commissioners can jointly decide to extend the benefit beyond 24 months
- Increases the earned income disregard (EID) from $200 to $250 (percentage of remaining unsubsidized income remains the same at 25%; original proposal was to increase EID to $300 plus 50% of remaining income)
- Reduces 1st six months of Reach Ahead food stamp benefit from $100 to $50 a month to pay for part of the increased EID; keeps 2nd six months of Reach Ahead food stamp benefit at $50

- Provides a nominal $5 per month food stamp benefit for 2nd year Reach Ahead participants
- Food stamp benefits for families in their first six months of Reach Ahead are grandfathered at $100 for the first six months and $50 for months 7 through 12
- Case managers are to meet with participating families to make them aware of program benefit changes and advise them on how to maximize new opportunities without a corresponding loss of benefits.
- DCF is to explore feasibility of transitional food stamp program that would allow drawing additional federal funds to offset food assistance during the first five months of Reach Ahead, freeing up State dollars to increase the EID; report due to the Health Care Oversight Committee by October 15.
- DCF also to report to the committee on the estimated cost of the EID and child care subsidies and projected caseload reduction savings.
- NO increase to the asset limit, which was originally proposed to increase from $2,000 to $5,000 (BUT: the cost of increasing the asset limit is modest and could easily be brought back next year, paid for through use of the additional federal $$ from the transitional food stamp program).
- NO across the board reduction in benefits (originally estimated to be $19 per household to pay for EID)
- Additional childcare subsidy and EID do not take effect until July 1, 2015; childcare subsidy only takes effect if there are sufficient savings from caseload reduction to pay for it

TAX POLICY

Miscellaneous Tax Bill (H.884)

- ***Shared Equity Housing*** – H.884 revises the way owner-occupied housing subject to a housing subsidy covenant is valued for property tax purposes. Starting in 2015, towns will be required to assess shared equity housing at between 60% and 70% of its fair market value if it were not subject to a housing subsidy covenant. The Tax Department, in consultation with VHCB, will review the percentage every five years to determine whether it should be revised.
- ***Renter Rebate*** – The final bill makes NO CHANGE to the way the Renter Rebate is calculated. The House version had reduced the percentage of rent attributable to property taxes from 21% to 19%, which would have reduced the overall expense of the program – and therefore the amount of property tax relief for renters – by $2 million (overall cost was approximately $8.7 million in 2012). The bill did direct the Housing Council to recommend alternate programs to benefit renters, as well as ways to make the program more effective. Some lawmakers' concerns: program underutilized, difficult for the Tax Department to administer, difficult for landlords to comply, and potential inequitable distribution of the benefit. For purposes of the report, the Housing Council will be joined by VLIAC, the CAP Directors' Association and VAHC.

Tax Expenditures -- S.221 establishes the statutory purpose for every tax expenditure in Vermont statute, including the following tax credits that have benefited affordable housing in the state: Vermont Affordable Housing Credit, Charitable Housing Credit, Qualified Sale of a Mobile Home Park Credit, Historical Rehabilitation Tax Credit, Downtown and Village Center Program Tax Credits, Facade Improvement Tax Credit, Code Improvement Tax Credit, Sales of Mobile Homes and Modular Housing Exemption from the sales tax, and the property tax exemption for Housing Authorities and VHFA. Though there has been increasing scrutiny of tax credits and exemptions over the last several years, including as a result of S.221, no tax expenditures that benefit affordable housing were in jeopardy this year. Unlike last year, there was also no effort to restrict the Vermont Earned Income Tax Credit.

LEGISLATION

GA Temporary Housing – H.699 reduces the program participant's contribution to the cost of their emergency housing in a motel from 50% to 30%. The original House bill reduced the contribution to zero. DCF is looking into whether it can create a matched savings program that would allow participants to set aside resources needed to secure permanent housing, like a security deposit and first month's rent.

Smart Growth – H.809 changes the designation requirements and process for new towns centers and growth centers. Companion bill H.823 makes changes to increase the supply of housing in Downtowns, New Town Centers, Growth Centers, and Neighborhood Development Areas. Major features include:

Population	Existing Unit Threshold	Proposed Unit Threshold
15000+	200	275
10,000 - 15,000	100	150
6,000 - 10,000	50	75
3,000 - 6,000	30	50
<3000	25	25

- Increase the Act 250 unit thresholds for "priority housing projects" with a unit count scaled to the population of a municipality
- Adjust the definition of "mixed-income" for rental housing to require that 20% of units be affordable to households making 80% (currently 60%) of county median household income, for a period of 20 years (currently 30)
- Clarify an existing jurisdictional trigger for projects located within Downtowns, New Town Centers, Growth Centers and Neighborhood Development Areas, so that jurisdiction over a project would be determined by counting only the housing units included in that discrete project
- Expedite Act 250 review within Designated Downtowns
- Reduce the cost and increase the flexibility to mitigate primary agricultural soils under Act 250 Criterion 9(B)
- Define "existing settlement" and "strip development," and amend Act 250 Criterion 9(L)
- Amend Act 250 Criterion 5 to promote transportation alternatives
- Target ANR wastewater funding to designated areas
- Accelerate state water and wastewater permits

Minimum Wage – The House-passed version of H.552 increased the minimum wage to $10.10 an hour as of January 1, 2015, with tipped employees receiving half that. The minimum wage would increase by 5% or the CPI, whichever was smaller, every year thereafter. The House also called for a study to look at the impact of the increase on low-wage workers who receive one or more government subsidies and ways to alleviate the "benefit cliffs" that might result. The Senate bill, which ultimately prevailed, increases the minimum wage over four years as follows: $9.15 on January 1, 2015 and $9.60, $10.00, and $10.50 at the beginning of each successive year. Increases after 2018 and tipped employees are treated the same as in the House bill.

Condemnation -- S.168, a bill dealing with a number of miscellaneous provisions related to municipalities, passed with legislative language that will make it easier to condemn properties destroyed by natural disaster. The bill establishes clear municipal authority to condemn homes, creating a clearer path for future FEMA assistance to property owners.

Licensed Lender Requirements -- S.220, this year's lengthy economic development bill, contains a provision that may be of interest to HomeOwnership Centers and Community Development Financial Institutions: The Department of Financial Regulation is to report to the Legislature on any statutory and regulatory changes to the State's licensed lender requirements that are necessary to open private capital markets and remove unnecessary barriers to business investment in Vermont.

Bills that did not pass:

- ***Housing First*** – H.791 would have established a work group to study Housing First and other models of permanent supportive housing. It passed the House but died in the Senate, which did not look favorably on many studies.
- ***Food Stamp Payment Errors*** – H.620 would have established DCF responsibility for food stamp benefit overpayments to low-income beneficiaries which they will have to reimburse to the federal government. Under this bill, DCF would have reimbursed the feds for the full amount of its mistaken overpayments, which ranged from $318,000 (Senate estimate) to $640,000 (House). Though considered in the "wish lists" of both House and Senate Appropriations, this item did not make the final cut.