



Agency of Human Services, Department for Children and Families **HR1 Work Requirements Legislative Report**

Submitted To:

Joint Fiscal Office
House Committee on Human Services
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Executive Summary

The Department for Children and Families, Economic Services Division (ESD), submits this report pursuant to Section E.316.3 of Act 144 (2026), the state fiscal year 2027 big bill.

The federal law HR1, passed July 4, 2025, increased the number of individuals receiving 3SquaresVT that are required to work, volunteer, or engage in educational activities to keep their food benefits. A report explaining these changes was submitted to the Legislature on September 15, 2025:

<https://legislature.vermont.gov/assets/Legislative-Reports/3SquaresVT-Program-Changes-09.15.2025.pdf>

Individuals subject to a work requirement are only allowed three months in a fixed 36-month period without meeting the requirements or qualifying for an exemption. The current 36-month clock started November 1, 2025. Due to the federal government shutdown, no 3SquaresVT individual was subject to a work requirement in November. This effectively started the current clock on December 1, 2025. Approximately 4,000 individuals were impacted by the HR1 changes and newly subject to the work requirement. Because the program's current eligibility system cannot distinguish HR1 specific closures from other time limited benefit work requirements related closures, subsequent closures and benefit loss data in this report reflect the broader population subject to the time limited benefit work requirements and should not be interpreted as representing HR1 impacts alone.

Outreach Efforts to Impacted Individuals

During the fall of 2025, ESD:

- Called every impacted individual to explain the work requirement
- Sent written notices explaining the work requirement, how to report an exemption, how to meet the work requirement through work or volunteering, and, if interested, how to connect to different employment and training programs
- Trained multiple partner agencies, including all 3SquaresVT Outreach Partners, employment and training partners and agencies and others on this new change in law and how to support impacted Vermonters
- February 2026 was the first month that individuals accrued their third countable month, triggering closure of 3SquaresVT food

benefits if ESD did not have information on file showing they were meeting, or exempt from, the work requirement (countable months: December, January and February).

To reach these individuals, ESD:

- Initiated an automated call, text and email campaign to impacted individuals
- Included a paper stuffer in closure notices about exemptions that may be available
- Initiated a social media campaign through partner agencies
- Published this Community Partner Guide (https://outside.vermont.gov/dept/DCF/3SquaresVT_Guidance) to help support 3SquaresVT recipients with the work requirement, including partners' role in helping individuals claim exemptions.
- Trained multiple partner agencies and groups about the work requirement and newly issued Community Partner Guide, including all 3SquaresVT Outreach partners, employment and training partners and agencies and the Vermont Chronic Care Initiative
- ESD continues to administer the text messaging/email/stuffer campaign on an ongoing basis each month to impacted individuals about to lose 3SquaresVT benefits.

New Policy Initiative

ESD introduced a new policy in April 2026 utilizing discretionary exemptions to support individuals in their third countable month who are interested in participating in the 3SquaresVT Employment and Training Program, the Individual Career Advancement Network (ICAN), <https://dcf.vermont.gov/benefits/ican>. This new policy utilizes discretionary exemptions to support an individual maintaining their food benefits, while also connecting them to employment and training case management, services, and additional cash reimbursements for employment and training-related expenses.

Through this new policy, individuals who complete ICAN orientation are given up to three temporary exemptions to allow them time to finish the enrollment process and get connected to their ICAN case managers and team. 3SquaresVT beneficiaries can meet their work requirement through participation in certain ICAN activities.

ICAN case managers are skilled in the rules for meeting the work requirement, whether that is through participation in ICAN, work, volunteering, education or any combination of these activities. They can also assist individuals in reporting that information to ESD. Additionally, ICAN case managers can screen individuals for appropriate work requirement exemptions and assist them in the necessary reporting and in re-connecting them to work whenever possible.

ICAN partners that work with individuals include HireAbility, Vermont Association of Business and Industry Rehabilitation and the Vermont Department of Labor. Through ICAN, in addition to case management services provided by HireAbility's Invest EAP staff, participants are eligible for additional benefits related to employment and training including help with transportation expenses (ex. bus passes, mileage, car repairs, tires, ebikes), interview and job clothing, cellphones and others.

Requested Data

Data Interpretation and System Limitation: The data presented below reflect closures, reductions, and related activity associated with the 3SquaresVT time-limited benefit work requirements (TLBWR) during the reporting period. This data includes all TLBWR-related closures and reductions and are not limited to individuals newly subject to work requirements as a result of the federal changes enacted through H.R.1. The program's current eligibility system does not have the capability to identify and report only the closures or benefit losses directly attributable to the H.R.1. changes. Accordingly, the data below should be interpreted as representing the broader population affected by the TLBWR during the reporting period, rather than a measure of impact of H.R.1 alone.



(A) the number of individuals who have become ineligible for benefits or experienced a loss or reduction in benefits due to federal changes to work requirements, including specifically by adults between 55 and 64 years of age, individuals experiencing homelessness, and adults with a child between 14 and 18 years of age;

Between February 2026 and June 2026, 2,596 individuals became ineligible for benefits, resulting in 2,480 households experiencing a loss or reduction in benefits.

These figures include all individuals whose benefits were closed or reduced due to the 3SquaresVT time-limited benefit work requirements and are not limited to individuals newly subject to the work requirement as a result of HR1. Current IT systems within Economic Services Division do not have the ability to break down population data into the demographic categories requested above.

(B) the number of individuals who lost benefits due to federal changes to work requirements and immediately reapplied for benefits and any related administrative costs;

Between February 2026 and May 2026*, 2,354 individuals lost benefits due to federal changes to work requirements. These figures include all individuals whose benefits were closed or reduced due to the 3SquaresVT time-limited benefit work requirements and are not limited to individuals newly subject to the work requirement as a result of HR1.

Of those individuals who lost benefits, 552 reapplied for benefits within 60 days.

ESD does not have a way of capturing administrative costs associated with this specific data set.

ESD does not have June 2026 closure data at the time of this report

(C) the estimated total amount of benefit loss to individuals due to federal changes to work requirements;

The estimated benefit loss from February 2026 through June 2026 is \$764,053. This amount reflects benefit loss associated with all TLBWR-related closures and cannot be attributed solely to the federal changes enacted through HR1. The program's current eligibility system does not have the capability to isolate the portion of the benefit losses directly attributable to the HR1. changes.

(D) the reasons individuals are determined ineligible for benefits;

All individuals included in this data were determined ineligible for benefits due to failure to meet the 3SquaresVT time-limited benefit work requirement (TLBWR) or report an exemption from the requirement after using their three countable months. This data includes all TLBWR related ineligibility determination during the reporting period and cannot be isolated to HR1 specific impacts using the program's current eligibility system.

(E) the Agency's use of discretionary exemptions, including those expiring in September 2026, and the remaining balance to offset benefit loss and reductions;

Each year, U.S. Department of Agriculture calculates how many discretionary exemptions each state earns. The number of discretionary exemptions each State agency earns is based on eight percent of the State's estimated number of covered individuals, per section 6(o)(6)(A)(ii) of the Act.

Below are Vermont's allocations for FY25 and FY26. Note that beginning FY26, carryover of unused discretionary exemptions is no longer in practice, meaning States can no longer bank unused exemptions and apply them in future years.

State	New Discretionary Exemptions Earned for FY2026	New Discretionary Exemptions earned for FY2025
Vermont	2,581	2,674

States have flexibility in deciding how to use these earned exemptions. State agencies must track their usage of discretionary exemptions on an ongoing basis and document their application in case records prior to monthly Quality Control sample selections. State agencies must report final figures each year.

ESD uses discretionary exemptions in two primary ways. First, they are used to correct time-limited benefit coding when an individual's work requirement status changes after it was previously reported. These corrections ensure compliance with federal SNAP requirements to document work requirement status each month and prevent individuals from incorrectly accruing countable months or losing benefits due to retroactive coding updates.

Second, discretionary exemptions support individuals in their third countable month who are enrolling in the 3SquaresVT Employment and Training Program (ICAN). Temporary exemptions of up to three months allow participants to complete orientation, enroll in the program, and connect with case management services while maintaining food benefits. Participation in qualifying ICAN activities enables individuals to meet SNAP work requirements.

For the reporting period of July 2025-June 2026, ESD utilized the following discretionary exemptions:

- Discretionary exemptions used to correct time limited cases: 133
- Discretionary exemptions utilized for enrolling in ICAN: 13
- Legislative requirement to cover any countable months between the period July 2025-September 2025: 5,849

- Note: due to previous carryforward rules, VT had a large volume of banked discretionary exemptions that we were able to use.

(F) the number of individuals who received assistance from the Agency due to federal changes to work requirements, including the number of individuals who did not lose or experience a reduction in benefits after receiving assistance from the Agency;

The Agency conducted outreach to 3,538 individuals whose benefits would potentially be impacted by the federal changes to work requirements. Because the program's current eligibility system cannot distinguish HR1, specific impacts from other TLBWR related cases, this figure should not be interpreted as representing only individuals newly subject to the work requirements included in HR1.

As a result, 599 individuals did not lose or experience a reduction in benefits after receiving assistance from the Agency to report as meeting the work requirement or identify an exemption.

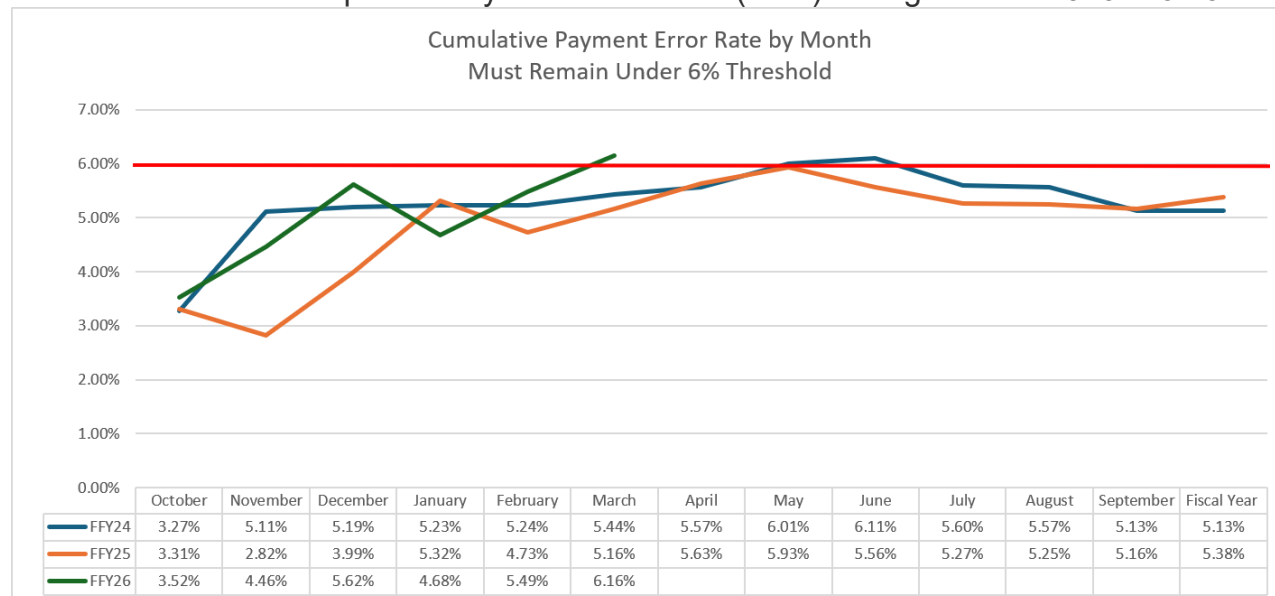
(G) payment error rate percentages for the current federal fiscal year, including an analysis on Agency and client errors; and

SNAP payment error rates are announced every year in June for the previous federal fiscal year. In June 2026, the federal fiscal year (FFY) 2025 payment error rates were announced. Vermont's official FFY25 payment error rate is 5.38%. Vermont is one of only ten states with a payment error rate for FFY25 below 6%.

Maintaining a payment error rate below 6% is important because of the benefit cost-sharing changes made in HR1. Starting in FFY28 (October 1, 2027), states will be required to pay a portion of SNAP benefits if the error rate exceeds 6%. For the first year of benefit cost-sharing, states can choose whether to use the FFY25 or FFY26 payment error rate. The benefit cost-sharing starting in FFY29 will be based on the payment error rate three years prior (ex. FFY26 error rate for FFY29 benefits). The price tag for Vermont if the error rate exceeds 6% starts at \$7.5 million annually and could be even higher depending on the final error rate each federal fiscal year.

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The cumulative state reported Payment Error Rate (PER) through March 2026 is 6.16%.



Analysis of Error Causes:

Includes errors over \$58 threshold; both over and under issuances

- 24 errors totaling \$6,315:
- 14 agency caused errors totaling \$2,798: accounting for 44.31% of the PER
- 10 client errors totaling \$3,517: accounting for 55.69% of the PER

Error Category Ranking by Cost:

- #1 - Wages/Salaries; 52.70% of PER
- #2 – Household Composition; 14.35% of PER
- #3 – Missing Reports; 9.44% of PER

(3)(A) information regarding outreach, stakeholder coordination, and other efforts undertaken to support impacted households and community partners in assisting households to obtain and maintain benefits, including the provision of sample notices, automated calls, text scripts, and other communications with individuals; and

ESD was proactive in ensuring both timely implementation of HR1 and sufficient training on the policy changes. Below is a list of internal and external training courses and meetings led by ESD Food & Nutrition Team staff to support awareness of HR1 policy changes, how to support those being impacted, and a continued awareness of our work to communicate with those at-risk of losing their 3SquaresVT benefits. There were also coordinated one-on-one meetings with certain key stakeholders to ensure information and plans for implementation were shared timely and transparently.

The 3SquaresVT Program Director and 3SquaresVT Program Administrator met with Ivy Enoch and Anore Horton of Hunger Free Vermont to discuss the passage of HR1 and ESD's plans to implement the legislation on July 8, 2025.

This same core group has a standing meeting every other month to discuss policy changes, training, areas of concern and coordinated efforts for both the 3SquaresVT program and ESD's nutrition sub-programs.

The Food & Nutrition Team shares policy and program information, call center metrics and other important data at the monthly 3SquaresVT Workgroup meeting. This meeting is attended by community partners, advocates, legislative representatives and other key stakeholders that support 3SVT.

HR1 Trainings 2025 Trainings

- 8/22- HR1 ESD Staff Training
- 8/25- HR1 ESD Staff Training
- 8/27- HR1 ESD Staff Training
- 9/3 – HR1 ESD Staff Training
- 9/9 – HR1 Staff Training
- 9/18- HR1 AHS VCCI and Field Directors Staff Meeting
- 9/23 – ICAN VDOL Staff Training
- 9/25 – HR.1 Staff Training
- 10/7 – ICAN VABIR Staff Training

2026 Trainings

- 1/28– Vermont Chronic Care Initiative (VCCI) Connection - Workgroup Discussion around 3SquaresVT Work Requirements and Exemptions
- 2/4 – District Leadership Training - Code 55 updates and customer outreach (Eligibility Specialist III and Supervisors)
- 2/18 – Workgroup Discussion around 3SquaresVT Work Requirements and Exemptions.
- 2/24 – ICAN Vermont Department of Labor (VDOL) Staff Meeting
- 3/30 – HireAbility Training around 3SquaresVT Work Requirements and Exemptions.
- 4/15 – Workgroup – ICAN Presentation

Customer Outreach

1. Closure Mailing - February 2026: ESD started to mail the customer stuffer with all Time Limited Benefit Work Requirement (TLBWR) closure notices. The stuffer was created in February 2026 and then updated in April 2026 to include details about temporary exemptions. In April, the division started to use discretionary exemptions for individuals enrolling in ICAN.

2. Text/Automated call and Email Campaign – Beginning March 2026, ESD began a texting/automated call campaign to all households that include individuals who are closing due to TLBWR. The language below outlines our tailored language for each household type; 3SquaresVT and 3SquaresVT in a SNAP (ESD’s expedited SNAP application for older or disabled Vermonters).

	3SquaresVT	3SquaresVT in a SNAP
Text Message	<i>This is the Economic Services Division: Important 3SquaresVT update. A household member has a work requirement. Benefits may stop MONTH 1 if you don’t contact us. Call 1-800-479-6151 (8:00–4:30 M–F). If you already updated your case, you do not need to call again.</i>	<i>This is the Economic Services Division: Action needed for 3SquaresVT. Someone in your household has a work requirement. Benefits may stop MONTH 1 if we don’t hear from you. Call your SNAP worker or 1-800-479-6151 (8:00–4:30 M–F). If you already updated your case, no need to call again.</i>
Email Message	<i>Subject: Important- 3SquaresVT program update, please call 1-800-479-6151</i> Hello, We are sharing important information about your 3SquaresVT benefits. Your 3SquaresVT food benefits may close on MONTH 1 if work requirement rules are not met. This message is for informational purposes only. The General Assistance Housing Unit is not able to answer questions about 3SquaresVT eligibility, work requirements, or exemptions. Please contact Economic Services Division (ESD) directly at 1-800-479-6151 after reviewing the information below.	<i>Subject: Important- 3SquaresVT program update, please call your 3SNAP worker or 1-800-479-6151</i> Hello, We are sharing important information about your 3SquaresVT benefits. Your 3SquaresVT food benefits may close on MONTH 1 if work requirement rules are not met. This message is for informational purposes only. The General Assistance Housing Unit is not able to answer questions about 3SquaresVT eligibility, work requirements, or exemptions. Please contact your 3SNAP worker’s direct line or the Economic Services Division (ESD) at 1-800-479-6151

Why you are receiving this notice

ESD does not currently have information showing that you are either:

- Exempt from the work requirement, or
- Meeting the requirement through work, volunteering, or participation in an education or training program.

To continue receiving benefits, you must meet a work requirement unless you qualify for an exemption.

For full details about the work rules, visit:

<https://dcf.vermont.gov/benefits/3SquaresVT/WorkRules>

Help with Employment and Training

You may be able to get help meeting your employment and training goals through:

- 3SquaresVT Employment & Training Program (ICAN):
<https://dcf.vermont.gov/benefits/ican>
 - If you complete ICAN orientation and complete the necessary steps to enroll in ICAN you

after reviewing the information below.

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- 3SquaresVT Employment & Training Program (ICAN):
<https://dcf.vermont.gov/benefits/ican>
 - If you complete ICAN orientation and complete the necessary steps to enroll in ICAN you may qualify for a temporary

	may qualify for a temporary exemption from the work requirements to allow time to enroll. • Vermont Department of Labor Workforce Development: https://labor.vermont.gov/workforce-development • Vermont JobLink (job search): https://www.vermontjoblink.com • HireAbility Vermont: https://www.hireabilityvt.com/ If You Are Unable to Work We understand that not everyone can work all the time. Some people have a disability, health condition, or personal situation that makes it hard to work. You may qualify for a work requirement exemption. Two common exemptions include: 1. Personal Obstacle or Barrier Exemption This may apply if you are unable to work due to situations such as: • Homelessness or lack of basic needs	exemption from the work requirements to allow time to enroll. • Vermont Department of Labor Workforce Development: https://labor.vermont.gov/workforce-development • Vermont JobLink (job search): https://www.vermontjoblink.com • HireAbility Vermont: https://www.hireabilityvt.com/ If You Are Unable to Work We understand that not everyone can work all the time. Some people have a disability, health condition, or personal situation that makes it hard to work. You may qualify for a work requirement exemption. Two common exemptions include: 1. Personal Obstacle or Barrier Exemption This may apply if you are unable to work due to situations such as: • Homelessness or lack of basic needs • Educational barriers • A medical issue not yet evaluated • Grief or loss of a family member or friend
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• Educational barriers • A medical issue not yet evaluated • Grief or loss of a family member or friend • Recently released from jail and adjusting • Domestic violence situation • Another serious personal barrier This exemption uses the 210A Time Limited Benefits Work Requirement Exemption Form – Page 2. This page can be completed by a community partner or health care provider who knows your situation. 2. Disability Exemption This may apply if you: • Receive Social Security Disability or SSI • Receive certain Veterans Administration disability benefits • Receive permanent disability retirement benefits • Have a health care provider who can confirm you are unable to work This exemption requires the 210A Medical Report Form – Page 1,	• Recently released from jail and adjusting • Domestic violence situation • Another serious personal barrier This exemption uses the 210A Time Limited Benefits Work Requirement Exemption Form – Page 2. This page can be completed by a community partner or health care provider who knows your situation. 2. Disability Exemption This may apply if you: • Receive Social Security Disability or SSI • Receive certain Veterans Administration disability benefits • Receive permanent disability retirement benefits • Have a health care provider who can confirm you are unable to work This exemption requires the 210A Medical Report Form – Page 1, completed by a health care professional. You only need to complete one page of the 210A form — the one that applies to your situation. You decide which exemption applies and who completes the form.
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completed by a health care professional. You only need to complete one page of the 210A form — the one that applies to your situation. You decide which exemption applies and who completes the form. Questions or Next Steps If you believe you qualify for an exemption, are already meeting the work requirement, or have questions about your case, please contact: Economic Services Division (ESD) 1-800-479-6151 Monday through Friday, 8:00 a.m. – 4:30 p.m. You may also visit your local ESD district office. Again, the General Assistance Housing Unit cannot answer questions about 3SquaresVT benefits. We are sharing this information to help ensure you are aware of possible next steps before MONTH 1.	Questions or Next Steps If you believe you qualify for an exemption, are already meeting the work requirement, or have questions about your case, please contact your 3SNAP worker directly or: Economic Services Division (ESD) 1-800-479-6151 Monday through Friday, 8:00 a.m. – 4:30 p.m. You may also visit your local ESD district office. Again, the General Assistance Housing Unit cannot answer questions about 3SquaresVT benefits. We are sharing this information to help ensure you are aware of possible next steps before MONTH 1.
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(B) the number of applications supported by outreach partners, benefit assisters, or other community service providers.

ESD collects required SNAP Outreach data for each Federal Fiscal Year. The most recent complete data are from FFY 2025. During that year, SNAP Outreach partners provided one-on-one assistance to individuals on 3,357 occasions. These interactions included providing information to people considering applying for SNAP, helping current participants understand and meet program requirements, assisting with SNAP application completion, or providing a combination of these services.

In addition, SNAP Outreach partners provided factual program information to community partners on 1,434 occasions, helping ensure that accurate and up-to-date SNAP information was available throughout the state.

Benefit Assistor data will be available next year.