

MEMORANDUM

To: Joint Fiscal Committee
From: Douglas R. Farnham, Deputy Secretary of Administration
Date: November 9, 2022
Subject: Emergency Rental Assistance Situation Report

Over the course of the pandemic, Vermont was awarded \$352 million in federal Emergency Rental Assistance Program (ERA 1 and ERA 2) funding. The federal government provided the funding directly to states. Vermont used the funding to provide assistance to eligible households, including the creation of the Vermont Emergency Rental Assistance Program, the Transitional Housing Program, Reach Up Emergency Rental Assistance, Housing Stability Services, and Utility Assistance.

Background

Vermont's participation in the U.S. Department of the Treasury ERA funding was initially established on February 11, 2021 through a motion to approve Grant #3034. Subsequently, the U.S. Treasury recaptured \$1,015,587 and \$30,157,552.20 of ERA1 in December of 2021 and January of 2022 respectively leaving \$168,826,860.80 of ERA 1 funding. In May of 2021, Vermont accepted an additional \$152,000,000 of ERA 2 funding under the same CFDA number and used those funds to supplement programs approved on the original Joint Fiscal Committee (JFC) motion. ERA 2 funds are available until 09/30/2025 and plans to spend those funds over the course of several years were discussed in the 2022 Legislative session.

In March 2022, U.S. Treasury released new ERA 2 guidance that imposed a 03/31/2022 start date to begin spending ERA 2 with an aggressive timeline through calendar year 2022. The guidance required Vermont to begin spending ERA 2 funds even though ERA 1 funds were still available and had to be expended by September 30, 2022. Vermont immediately transitioned most expenses to ERA 2 and had to spend over \$45,800,000 by June 30, 2022 to avoid recapture. The guidance dramatically changed the projections of the Vermont programs, thereby shortening the length of the programs.

In August 2022, the Agencies of Administration (AoA), Commerce and Community Development (ACCD), and Human Services (AHS), announced changes to ERA-funded programs. Most significantly, the Vermont Emergency Rental Assistance Program and the Transitional Housing Program stopped taking new enrollment to serve the extremely low-income households through the winter (March 31, 2023).

On August 31, based on the amount of ERA 2 expended during the summer, Vermont received the third and final tranche of ERA2 funds and is no longer subject to recapture of ERA 2 funds. On September 13,

Treasury released guidance that allowed for expenses (provided they are eligible) to be reallocated between ERA 1 and ERA 2 during the ERA 1 closeout process.

Furthermore, to react to US Treasury guidance and preserve the maximum amount of federal funding possible, the AoA is re-allocating programmatic spending between ERA 1 and ERA 2 and is currently preparing September quarterly reports due to U.S Treasury on November 17 which, due to recent changes in Treasury guidance, account for all \$168,826,860.80 of ERA 1 funding and continue funding for previously approved programs with ERA2. AoA will share the September ERA 1 and ERA 2 quarterly reports with the Joint Fiscal Committee and the Joint Fiscal Office showing the final allocation of ERA 1 funds immediately after submission to US Treasury.

The Department for Children and Families (DCF) led a series of community meetings to solicit feedback on the potential of additional ERA 2 funding and priorities on the winddown of federal funding. DCF convened 14 meetings representing every region of the state with over 300 attendees from over 96 community organizations, along with district staff from state agencies. Community input helped inform the plan.

Reconciliation between ERA1 and ERA2 is expected to produce between \$30,000,000 and \$37,000,000 of restored capacity and the Agency of Administration is seeking approval to deploy the funds in the following manner.

1. **\$5,000,000** of ERA2 to DCF and DHCD to restore the total ERA2 spending for housing stability services to \$15,200,000, enabling three years of mediation services, eviction prevention, and other grants to community partners that help unstable households connect with available programs and improve their circumstances (action 1.A.iv from the original authorizing motion).
2. **\$12,600,000** to AHS to bring the total investment to \$48,600,000 to assist homeless individuals, those exiting homelessness, and implement other such programming as becomes allowable under federal guidance (action 1.A.iii from the original authorizing motion). \$36,000,000 of ERA2 was initially allocated to this purpose as a supplement to the \$36,000,000 of ERA 1 appropriated by the General Assembly. Investing these funds in the transitional housing program will allow DCF to deploy most of the \$15,000,000 general fund appropriation for medium and long-term affordable housing accessible to households exiting homelessness.
3. **\$6,400,000** to the Vermont Emergency Rental Assistance Program (VERAP) administered through a grant from AoA to the Vermont State Housing Authority (VSHA). These funds will be used to extend the rental benefit to the 30% area median income (AMI) population for the months of April, May, and June at a rate of 50% of household rent. Total ERA2 funding needed for this program is subject to ongoing reconciliation efforts mentioned above.
4. **\$2,200,000** to the Vermont Emergency Rental Assistance Program - Utilities (VERAP-U) administered by the Public Service Department. These funds will be used to extend the VERAP-U program from December 31 to June 30 with the same criteria as the VERAP program. Total ERA2 funding needed for this program is also subject to ongoing reconciliation efforts mentioned above.
5. Any additional funding which becomes available, currently **estimated at \$10,000,000**, would be invested in action 1.A.iii from the original authorizing motion with a focus on medium and long-term affordable housing investments which would benefit households experience housing instability.

