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House of Representatives

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TO: Robin Scheu, Chair, House Appropriations Committee

FROM: Theresa A. M. Wood, Chair, House Human Services Committee

DATE: January 14, 2026

SUBJECT: FY26 Budget Adjustment Act Recommendations

Thank you for the opportunity to provide feedback on the Administration's submission of the FY26 budget adjustment act proposals. The House Committee on Human Services (Committee) focused on the requests from the Department of Disabilities, Aging and Independent Living and from the Department for Children and Families. The Committee took testimony from department representatives. And, to gain a fuller picture of the potential impacts, as well as to consider items not covered in the Administration's request, we also took testimony from community partners who are impacted.

While a number of community partners expressed concern about lack of funding, loss of federal funding, and future impacts, the Committee is only making favorable recommendations for items that it considered to be true FY26 adjustments. The Committee is not making any recommendations related to requests that the General Assembly already considered and declined to fund during its original FY26 budget process, nor any requests that were more appropriate for consideration as part of the FY27 budget process.

If there are no specific comments below, the Committee recommends accepting the Governor's recommendations.

**Department of Disabilities, Aging and Independent Living**

***Governor's recommendation –***

1. Choices for Care – \$14,500,000 (GC) The Committee continues to have significant concerns about the use of EFR payments for nursing facilities. Vermont is an outlier in the use of traveling staff for skilled nursing facilities and while there are efforts underway to work on this, it remains a concern and a major cost driver. The Committee values the role that nursing facilities play in the

continuum of care; however, it is concerning that the funds utilized for these facilities are inhibiting flexibility to address home and community-based Choices for Care services. It is also concerning that there are over 250 vacancies across the State, and many people who are homeless would benefit from this level of care. ***However, given the current circumstances, the Committee acknowledges the need to make these payments and recommends approval of this request.***

2. Choices for Care (H&CB) – \$2,500,000 (GC) During testimony, the Department indicated that this may in fact be utilized for both additional nursing facility payments as well as home and community-based care. The request was based on early estimates of caseload utilization, which have since fluctuated. ***The Committee recommends that this be approved for home and community-based services only, as originally presented by the Department.***
3. Choices for Care (Carryforward) – \$9,642,202 (GC) This represents FY25 payments that were delayed; it has already been accounted for in the Choices for Care FY25 close-out and is carry forward from FY25. It would appear to be a spending authority issue.

***Community partners request –***

1. Choices for Care – \$140,904 (GC) The Area Agencies on Aging provide required case management services for Choices for Care recipients. Due to a technical oversight, these services were not included in the calculation of the 2% COLA for FY 26 that other Medicaid providers received. ***The Committee recommends that this be approved for FY26 retroactive to July 1, 2025; if it cannot be made retroactive, the Committee recommends that the General Fund share be paid to providers, or some combination of Global Commitment and General Fund monies.***
2. Choices for Care – \$1,071,550 (GC) The General Assembly completed funding for the Medicaid rate study completed in FY23. This occurred over two fiscal years and was finalized in the FY26 budget. During the summer, the Joint Fiscal Office and Committee were notified that this would result in a 35% decreased rate for certain residential care providers. It was not the intent of the General Assembly to reduce rates for these needed services. ***The Committee recommends restoring the impacted rates to their FY25 level -- \$72.37/day retroactive to July 1, 2025; if it cannot be made retroactive, the Committee recommends that the General Fund share be paid to providers, or some combination of Global Commitment and General Fund monies.***
3. Developmental Services Payment Reform -- There are significant concerns regarding the impacts of payment and other reforms on individuals receiving services, families, and designated and specialized service agencies. ***The Committee recommends language (see Appendix A) to address these concerns; no additional appropriation is needed at this time.***

**Department for Children and Families –**

***Governor's recommendation –***

1. Family Services – \$1,000,000 (GF) There continue to be increased transportation costs for services provided to children and youth in State custody. This includes payments to sheriffs and other providers. ***The Committee recommends accepting this adjustment and intends to continue investigating this area in the FY 27 budget.***
2. General Assistance – The Administration did not present any adjustments for the emergency housing assistance portion of the General Assistance appropriation. However, based on the Department’s monthly reporting, the Committee requested an update on spending in this area. The Committee was notified that the Department expected **at least a \$5.5 million** underspend in General Assistance emergency housing. This is concerning given the number of people who are homeless in Vermont. The Department also indicated that intends to utilize these funds for shelter services. As you are aware, shelter services are appropriated in the OEO/HOP program and have a separate increase requested below. ***The Committee recommends that additional clarification be provided by the Department and that the Department be notified that it is Legislative purview, not Administrative purview, to make a decision regarding the utilization of funds specifically appropriated for one intended purpose being transferred to a different purpose. See also OEO below.***
3. Reach Up – (\$2,230,278) (GF) This adjustment represents a caseload adjustment to reflect estimated utilization. The Committee expressed concern about what appears to be a perennial negative adjustment to caseload for the last several years to the Reach Up line item. ***The Committee’s preference is to retain these funds in Reach Up to minimize the ratable reduction; however, recognizing that this is unlikely to occur in FY26, the Committee recommends accepting this adjustment.***
4. OEO – \$269,812 and (\$269,812) (GF) While this is a net neutral change, these funds represent two limited service positions that are being transferred from grants to personal services to manage expanded shelter services. This represents a reduction in direct funding to community-based providers in order to fund personnel. The Committee is concerned about the use of funds appropriated for community-based providers being redirected to personal services. ***The Committee recognizes that these positions may be necessary; however, it would be appropriate to request that they be funded on their own merits. Additionally, if they are intended to be permanent positions, authorization from the Legislature is required. The Committee recommends retaining these funds in the grants line and advising the Department to address this in the FY 27 budget process.***
5. OEO – \$2,000,000 (GF) These funds are requested due to higher than anticipated costs to develop shelter capacity and operate shelters because one-time dollars have been utilized for shelter expansions that require ongoing funding. The Committee is concerned that accommodating this increase required a significant reduction to homeless prevention and response services impacting 14 current community-based providers and was not disclosed during the FY 26 budget process (see community partners request below). ***The Committee recommends modifying this adjustment to \$677,859.***

6. Secure Residential Treatment Facilities – \$1,900,000 (GF) These funds are requested as a stop-gap method to fund crisis stabilization services for youth in custody. The Committee is concerned that a full picture of the annualized funding needed has yet to be presented to the General Assembly. The Committee will pursue this during the FY27 budget process. These services are extremely costly, and a better understanding of the related ongoing expenses is necessary. ***At the current time, the Committee recommends accepting this adjustment.***

***Community partners request –***

1. OEO – \$1,322,141 (GF) During testimony the Committee learned that 14 community partners providing services to prevent and address homelessness across the State had FY26 reductions totaling \$1,322,141. For most of these providers, it means they will run out of these flexibly used funds long before the end of the fiscal year. ***The Committee finds these services integral to the ongoing issue of addressing homelessness and recommends that the grant levels be restored to FY25 levels. This recommendation, along with number 7 on the list above pertaining to Department for Children Families, equal the \$2,000,000 the Administration requested in its budget adjustment act presentation.***

**Department of Health –**

***Community partners request –***

1. DSU – \$420,000 (SF) In FY26, recovery centers across the state were appropriated \$800,000 from special funds to address increased needs for recovery services. Recovery centers provided feedback to the Health Department on suggested allocation amounts across the 12-member provider system. Some centers needed more than others. The Department made the decision to provide uniform \$50,000/center allocations. Unfortunately, this left 6 centers at serious financial risk. ***The Committee recommends providing \$210,000 (SF) to the 6 identified recovery centers, in the amounts recommended by Recovery Partners of Vermont, and that these amounts be specifically stated in the FY26 budget adjustment act.***

/s

CC: Jill Krowinski, Speaker

Appendix A. Proposed Language for FY26 Budget Act Adjustment

Sec. A. DEVELOPMENTAL SERVICES PAYMENT REFORM;

DESIGNATED OR SPECIALIZED SERVICE ERRORS

During implementation of the first year of the developmental services payment reform initiative, from October 1, 2025, through September 30, 2026, an error made by a designated or specialized service agency shall not be subject to a financial penalty, decreased payment rates, budget reduction, recoupment, or clawback of appropriated funds if the error was a result of system limitations or transitional processes outside the designated or specialized service agency's direct control, including:

(1) service authorizations, such as deficiencies in individual service authorizations attributable to system functionality, transitional processes, or actions or inactions of the case management organizations or the Department of Disabilities, Aging, and Independent Living, or both;

(2) operational delays, such as the inability to complete required steps in a timely or accurate manner or delays, omissions, or errors resulting from actions or inactions of the case management organizations or the Department of Disabilities, Aging, and Independent Living, or both;

(3) service continuity for pending cases, such as ensuring uninterrupted supports at the previously approved level through fiscal year 2026 for individuals who have not yet been reassessed or are awaiting an approved exception; and

(4) data and utilization impacts, such as incomplete, delayed, or inaccurate encounter data or utilization reporting attributable to system limitations, transitional

processes, or actions or inactions of the case management organizations or the Department of Disabilities, Aging, and Independent Living, or both.

Sec. B. APPROPRIATION; ENHANCED RESIDENTIAL CARE TIER 1

RATES

In fiscal year 2026, \$1,070,550 is appropriated from the Global Commitment Fund to the Department of Disabilities, Aging, and Independent Living to restore enhanced residential care tier 1 rates to their prior level of \$72.37 per day.

Sec. C. APPROPRIATION; INFLATIONARY ADJUSTMENT FOR AREA

AGENCIES ON AGING

In fiscal year 2026, \$140,904 is appropriated from the Global Commitment Fund to the Department of Disabilities, Aging, and Independent Living to provide a two percent inflationary adjustment to the area agencies on aging for choices for care case management services.