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TO: Senator Andrew Perchlik, Chair, Senate Committee on Appropriations
FROM: Mike Pieciak, State Treasurer
DATE: February 21, 2025
RE: FY26 Budget Requests (Updated)

This memorandum accompanies the Treasurer's Office presentation on our budget request for the 2026 fiscal year and documents our language inclusion requests alongside explanatory narrative. Thank you for your consideration of these requests and please do not hesitate to contact my office should you have any questions or require additional information.

Vermont Saves

We are requesting a series of changes to the Vermont Saves public retirement statute to accomplish the following goals (1) rename the program in statute from "VT Saves" to "Vermont Saves"; (2) clarify the ability of accountholders to have both a Traditional IRA and a Roth IRA simultaneously; (3) modify the auto-escalation cap from 8% to 10%, which is in line with the provisions of programs in Maine and Delaware, and (4) amend the eligibility criteria for employers. The proposed language is as follows:

Sec. 1. 3 V.S.A. chapter 18 is amended to read:

Chapter 18: ~~VT~~ Vermont Saves

§ 531. Definitions

As used in this chapter:

(3) "Covered employer" means a person, entity, or subsidiary engaged in a business, industry, profession, trade, or other enterprise in the State, whether for profit or not for profit, that ~~has~~ does not offer or currently offer to an employee, or is within a control group that maintains or contributes to, ~~effective in form or operation at any time within the current calendar year or two preceding calendar years~~, a specified tax-favored retirement plan. If an employer does not maintain a specified tax-favored retirement plan for a portion of a calendar year ending on or after the effective date of this chapter but does adopt such a plan for the remainder of that calendar year, the employer is not a covered employer for the remainder of the year. A covered employer does not include:

(A) the federal government, the State or any other state, any county or municipal corporation, or any of the State's or any other state's units or instrumentalities;

(B) any employer that has only been in business during the current calendar year .

(4) "ERISA" means the federal Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C § 1001 et seq.

(5) "Internal Revenue Code" means the U.S. Internal Revenue Code of 1986, as amended.

(6) "IRA" means a traditional IRA or a Roth IRA.

(7) "Participant" means an individual who has an IRA under the Program.

(8) "Payroll deduction IRA or payroll deduction IRA arrangement" means an arrangement by which an employer allows employees to contribute to an IRA by means of payroll deduction.

(9) "Program" means the ~~VT~~ Vermont Saves Program established in accordance with this chapter.

§ 532. ~~VT~~ Vermont Saves Program; establishment

(a) Establishment; purpose. There is established the ~~VT~~ Vermont Saves Program (Program), administered by the Office of the State Treasurer, for the purpose of increasing financial security for Vermonters by providing access to an IRA for Vermont employees of companies that do not currently offer a retirement savings program. The Program shall be designed to facilitate portability of benefits through withdrawals, rollovers, and direct transfers from an IRA and achieve economies of scale and other efficiencies to minimize costs. The Program shall:

(b) Type of IRA. The type of IRA to which contributions are made pursuant to subsection (a) of this section shall be a Roth IRA; provided, however, the Treasurer is authorized to add an option for all participants to:

(1) affirmatively elect to contribute to a traditional IRA instead of a Roth IRA; or

(2) open both a Roth IRA and a traditional IRA.

(c) Contributions.

(1) Unless otherwise specified by the covered employee, a covered employee shall automatically initially contribute five percent of the covered employee's salary or wages to the Program. A covered employee may elect to opt out of the Program at any time or contribute at any higher or lower rate, expressed as a percentage of salary or wages, or, as permitted by the Treasurer, expressed as a flat dollar amount, subject in all cases to the IRA contribution and eligibility limits applicable under the Internal Revenue Code at no additional charge.

(2) The Treasurer shall provide for, on a uniform basis, an annual increase of each active participant's contribution rate, by not less than one percent, but not more than ~~eight~~ ten percent,

of salary or wages each year. Any such increases shall apply to active participants, including participants by default with an option to opt out or participants who are initiated by affirmative participant election, provided that any increase is subject to the IRA contribution and eligibility limits applicable under the Internal Revenue Code.***

Municipal Equipment Vehicle Loan Fund

This fund was created for the purpose of providing loans on favorable terms to municipalities for the purchase of motorized highway building and maintenance equipment, heavy equipment, and authorized emergency. A committee, consisting of the State Treasurer, Secretary of Transportation, Commissioner of Public Safety and Commissioner of Motor Vehicles, reviews and approves applications. The proposed changes to this statute add “vehicle” explicitly to the title of the fund, provide for a waiver of the maximum loan amounts for municipalities facing unanticipated hardship (such as the loss of more than one piece of equipment as a result of a catastrophic event), and incorporate miscellaneous provisions previously located in rule form. The proposed language is as follows:

Sec. 1602. 29 V.S.A. chapter 61 is amended to read:

CHAPTER 61: Municipal Equipment and Vehicle Loan Fund

§ 1601. Municipal Equipment and Vehicle Loan Fund

(a) There is hereby created a Municipal Equipment and Vehicle Loan Fund for the purpose of providing loans on favorable terms to municipalities for the purchase of motorized highway building and maintenance equipment, heavy equipment, and authorized emergency construction, fire, emergency, or heavy equipment or vehicles as set forth in 23 V.S.A. § 4.

(b) The Municipal Equipment and Vehicle Loan Fund shall be administered by a committee comprised of the State Treasurer and the State Traffic Committee established by 19 V.S.A. § 1(24), pursuant to policies and procedures approved by ~~the Traffic~~ this Committee ~~established by 19 V.S.A. § 1(24)~~ with administrative support from the Office of the State Treasurer. The Committee shall establish criteria for distribution of available loan funds among municipalities considering at least financial need, equitable geographic distribution, and ability to repay. The Fund shall be a revolving fund and all principal and interest earned on loans and the fund balance remaining in the Fund at the end of any fiscal year shall not revert but be carried over in the Fund for use in the succeeding fiscal year. The Committee shall meet upon request of the Treasurer to consider applications.

§ 1602. Application; loans; conditions

(a) Application forms shall be furnished by the Committee on request. Upon Committee approval of an application of a municipality or two or more municipalities applying jointly for purchases as set forth in Sec. 1601(a), the State Treasurer may loan money from the Fund to that municipality or municipalities the applicant(s) for the purchase of equipment. Purchases of equipment eligible for Loans from the Fund shall be used on equipment and vehicles with have

a useful life of at least five years and a purchase price of at least \$20,000.00, ~~but shall not be eligible for loans in excess of \$150,000.00 from this Fund.~~

(b) The State Treasurer is authorized to establish terms and conditions, including repayment schedules of up to five years for loans from the Fund to ensure repayment of loans to the Fund. The amount of any loan shall be no more than (i) 75% of the purchase price or (ii) \$150,000, whichever is lower. Before a municipality may receive a loan from the Fund, it shall give to the State Treasurer security for the repayment of the funds. The security shall be in such form and amount as the Treasurer may determine and may include a lien on the equipment or emergency vehicle financed by the loan.

(c) The rates of interest shall be as established by this section to assist municipalities in purchasing equipment upon terms more favorable than in the commercial market. Such rates shall be not more than two percent per annum for a loan to a single municipality, and loans shall bear no interest charge if made to two or more municipalities purchasing equipment jointly.

(d) In any fiscal year, new loans from the ~~Municipal Equipment~~ Fund shall not exceed an aggregate of \$1,500,000.00. ~~The Treasurer shall put forth recommendations to the General Assembly on maximum loan amount every five years, commencing January 15, 2028, based on requests received and loans granted pursuant to this chapter.~~

(e) When a municipality suffers the destruction of more than one piece of equipment or a vehicle at or near the same time or suffers some unanticipated hardship relating to the equipment or vehicle and the Committee finds that replacement would place an undue financial hardship on the municipality, the Committee may waive one or both of the loan limiting factors in section (b) above:

1. The \$ 150,000.00 annual limitation on each municipality or
2. The 75% of the purchase price limitation

(f) The State Treasurer shall put forth recommendations to the General Assembly on maximum individual loan amount from the fund every five years, commencing January 15, 2028, based on requests received and loans granted pursuant to this chapter in the five preceding years.

§ 1603. Joint purchasing

The Secretary of Transportation and the Commissioner of Buildings and General Services, or their designees, shall develop and promote a program of joint purchasing with the municipalities by which purchases of equipment by the State are combined, where possible, with purchases of equipment by any municipality electing to participate in order to obtain volume purchasing discounts and other purchasing benefits.

Capital Debt Affordability Advisory Committee

We are also seeking changes to the Capital Debt Affordability Advisory Committee (CDAAC) statute. In an effort to streamline this process, the language proposes to change CDAAC's report to biennial (the debt authorization recommendation is already biennial). The language also seeks to codify the CDAAC's consideration of state liability metrics and capital asset depreciation ratios.

Subchapter 008: Management of State Debt

(Cite as: 32 V.S.A. § 1001)

- **§ 1001. Capital Debt Affordability Advisory Committee**

(a) Committee established. A Capital Debt Affordability Advisory Committee is hereby created with the duties and composition provided by this section.

(b) Committee duties.

(1) The Committee shall review ~~annually~~ biennially the size and affordability of the net State tax-supported indebtedness and submit to the Governor and to the General Assembly an estimate of the maximum amount of new long-term net State tax-supported debt that prudently may be authorized for the next two fiscal years. The estimate of the Committee shall be advisory and in no way bind the Governor or the General Assembly.

i. The Governor or Emergency Board may request an off-cycle report from the Committee.

ii. For years in which the Committee does not provide its biennial report, an interim report shall be provided.

(2) The Committee shall conduct ongoing reviews of the amount and condition of bonds, notes, and other obligations of instrumentalities of the State for which the State has a contingent or limited liability or for which the General Assembly is permitted to replenish reserve funds, and, when deemed appropriate, recommend limits on the occurrence of such additional obligations to the Governor and to the General Assembly.

(3) The Committee shall conduct ongoing reviews of the amount and condition of the Transportation Infrastructure Bond Fund established in 19 V.S.A. § 11f and of bonds and notes issued against the Fund for which the State has a contingent or limited liability.

(c) Committee estimate of a prudent amount of net State tax-supported debt; affordability considerations. On or before September 30 ~~of each year~~ in alternating years, the Committee shall submit to the Governor and the General Assembly the Committee's estimate of net State tax-supported debt that prudently may be authorized for the next two fiscal years, together with a report explaining the basis for the estimate. The Committee's estimate shall not take into consideration the balance remaining at the end of each fiscal year in the subaccounts of the Cash Fund for Capital and Essential Investments, established pursuant to section 1001b of this title. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the report to be made under this subsection. In developing its ~~annual~~ biennial estimate, and in preparing its ~~annual~~ biennial report, the Committee shall consider:

(1) The amount of net State tax-supported indebtedness that during the next fiscal year and annually for the following nine fiscal years:

(A) will be outstanding; and

(B) has been authorized but not yet issued.

(2) A projected schedule of affordable net State tax-supported bond authorizations for the next fiscal year and annually for the following nine fiscal years. The assessment of the affordability of the projected authorizations shall be based on all of the remaining considerations specified in this section.

(3) Projected debt service requirements during the next fiscal year, and annually for the following nine fiscal years, based upon:

- (A) existing outstanding debt;
- (B) previously authorized but unissued debt; and
- (C) projected bond authorizations.

(4) The criteria that recognized bond rating agencies use to judge the quality of issues of State bonds, including:

(A) existing and projected total debt service on net tax-supported debt as a percentage of combined General and Transportation Fund revenues, excluding surpluses in these revenues that may occur in an individual fiscal year, ~~and~~

(B) existing and projected total net tax-supported debt outstanding as a percentage of total State personal income,

(C) existing and projected pension and other postemployment benefit (OPEB) liability metrics, and-

(D) other metrics at the Committee's discretion, including long-term liabilities not covered above.

(5) The principal amounts currently outstanding, and balances for the next fiscal year, and annually for the following nine fiscal years, of existing:

(A) obligations of instrumentalities of the State for which the State has a contingent or limited liability;

(B) any other long-term debt of instrumentalities of the State not secured by the full faith and credit of the State, or for which the General Assembly is permitted to replenish reserve funds; and

(C) to the maximum extent obtainable, all long-term debt of municipal governments in Vermont that is secured by general tax or user fee revenues.

(6) The impact of capital spending upon the economic conditions and outlook for the State.

(7) The cost-benefit of various levels of debt financing, types of debt, and maturity schedules.

(8) Any projections of capital needs authorized or prepared by the Agency of Transportation, the Joint Fiscal Office, or other agencies or departments.

(9) The capital asset depreciation ratio reflecting unfunded capital maintenance costs.

(9) Any other factor that is relevant to:

(A) the ability of the State to meet its projected debt service requirements for the next five fiscal years; or

(B) the interest rate to be borne by, the credit rating on, or other factors affecting the marketability of State bonds.

(10) The effect of authorizations of new State debt on each of the considerations of this section.

(d) Committee composition.

(1) Committee membership shall consist of:

(A) As ex officio members:

(i) the State Treasurer;

(ii) the Secretary of Administration; and

(iii) a representative of the Vermont Municipal Bond Bank chosen by the directors of the Bank.

(B) Two individuals with experience in accounting or finance, who are not officials or employees of State government appointed by the Governor for six-year terms.

(C) The Auditor of Accounts who shall be a nonvoting ex officio member.

(D) One person who is not an official or employee of State government with experience in accounting or finance appointed by the State Treasurer for a six-year term.

(E) The Legislative Economist or other designee of the Joint Fiscal Office, who shall be a nonvoting ex officio member.

(2) The State Treasurer shall be the Chair of the Committee.

(e) Other attendants of committee meetings. Staff of the Legislative Counsel and the Joint Fiscal Committee shall be invited to attend Committee meetings for the purpose of fostering a mutual understanding between the Executive and Legislative Branches on the appropriate statistics to be used in committee reviews, debt affordability considerations, and recommendations.

(f) Information. All public entities whose liabilities are to be considered by the Committee shall annually provide the State Treasurer with the information the Committee deems necessary for it to carry out the requirements of this subchapter.

Baby Bonds Pilot Program

As we continue to implement the Baby Bonds Pilot Program in 2025, we are recommending certain clarifying changes to 3 V.S.A. chapter 20 to ensure we have the necessary tools to launch the Pilot. First, we recommend statutorily creating a separate baby bonds pilot program section to more clearly distinguish the Pilot from the permanent trust program and to direct the Treasurer to include certain parameters in the design of the Pilot. Second, we propose directing the Treasurer to submit ongoing annual reporting requirements during the term of the Pilot as well as a final report upon completion of the Pilot that analyzes its impact. Third, we recommend establishing a separate special fund for the Pilot that is separate from the Trust created in 3 V.S.A. § 608. The pilot funds will not be invested in a trust in the same way that those monies would be invested for a permanent long-term baby bonds program. Since pilot funds will be distributed within 2-3 years of receiving those funds, a special fund is more appropriate than a Trust for this purpose. Finally, we are requesting a one-time appropriation to assist with the administrative costs for implementing the Pilot, which is detailed further in our budget presentation materials.

Sec. 1. 3 V.S.A. chapter 20 is amended to read:

...

§ 609. Implementation; ~~Trust pilot program~~

The Treasurer's duty to implement this chapter is contingent upon publication by the Treasurer of an official statement that the Treasurer has received ~~donations~~ funds designated for purposes of implementation or administration of the Trust in an amount sufficient to operate ~~a pilot program~~ the Trust as set forth below.

§ 610. Baby Bonds Pilot Program

- (a) Authorization. ~~Upon publication, the~~ Prior to the implementation of the Trust as described in Sec. 609 of this chapter, the Treasurer ~~shall commence a~~ is authorized to commence a Baby Bonds Pilot Program of not more than five years for the purpose of evaluating the impact, effectiveness, and operational necessities of a permanent Trust consistent with this chapter. ~~implementing the Trust pursuant to the provisions of this chapter.~~ The ~~pilot program~~ commencement of the Pilot Program shall be contingent upon publication by the Treasurer that the Treasurer has received funding to administer and implement the Pilot. ~~used to evaluate the impact, effectiveness, and operational necessities of a permanent program consistent with this chapter.~~ (Added 2023, No. 184 (Adj. Sess.), § 17, eff. July 1, 2024.)
- (b) Pilot Design. The Treasurer is authorized to design the Baby Bonds Pilot Program, which may include the following:
- i. establishing and appointing members to an advisory committee ;
 - ii. identifying research and evaluation partners;
 - iii. evaluating eligibility criteria for recipients and the final selection of recipients;
 - iv. establishing performance metrics and reporting requirements;

- v. working with an investment consultant to create an investment plan and guidance for Program funds;
- vi. creating partnerships with organizations around the State to support the program and provide feedback on wrap-around services; and
- vii. conducting outreach to potential recipients.

(c) Report.

- i. Beginning on January 15, 2026, and annually thereafter until January 15, 2030, , the Treasurer shall submit a report to the Senate Committee on Economic Development, Housing, and General Affairs and the House Committee on Commerce and Economic Development on detailing the activities, operations, receipts, and expenditures of the Program during the preceding calendar year, and any other information regarding the Program.
- ii. On January 15, 2031, the Treasurer shall submit a report to the Senate Committee on Economic Development, Housing, and General Affairs and the House Committee on Commerce and Economic Development on the pilot project, including recipient demographics, income levels, geographic location of recipients, recipient behavioral changes, and recipient access to wrap-around services.

§ 611. Baby Bonds Program Fund

(a) There is hereby established and created a fund entitled the Baby Bonds Program Fund to be administered by the State Treasurer. The purpose of the Fund is to support the administration of the Vermont Baby Bonds Pilot Program described in Sec. 610 of this chapter.

(b) The Fund may receive State appropriations, gifts, grants, federal funds, and any other funds, both public and private, consistent with this section. The Funds may be expended for administrative and other purposes.

(c) The Treasurer may invest monies in the Fund in accordance with the provisions of section 434 of this title. All balances in the Fund at the end of the fiscal year shall be carried forward and shall not revert to the General Fund. Interest earned shall remain in the Fund. The Treasurer's annual financial report to the Governor and the General Assembly shall contain an accounting of receipts, disbursements, and earnings of the Fund.

Change to Unclaimed Property Simplified Claim Threshold

This change would increase the simplified claim threshold for Unclaimed Property from \$250.00 to \$1,000.00. This would provide much-needed additional flexibility for helping return smaller dollar properties to rightful owners.

(Cite as: 27 V.S.A. § 1553)

- § 1553. Claim for property by person claiming to be owner
 - a. A person claiming to be the owner of property held under this chapter by the Administrator may file a claim for the property on a form prescribed by the Administrator. The claimant must verify the claim as to its completeness and accuracy.
 - b. The Administrator may waive the requirement in subsection (a) of this section and may pay or deliver property directly to a person if:
 - (1) the person receiving the property or payment is shown to be the apparent owner included on a report filed under section 1491 of this title;
 - (2) the Administrator reasonably believes the person is entitled to receive the property or payment; and
 - (3) the property has a value of less than ~~\$1,000~~250.00. (Added 2019, No. 93 (Adj. Sess.), § 2, eff. Jan. 1, 2021.)