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MEMORANDUM

TO: Secretary Anson Tebbetts, Vermont Agency of Agriculture, Food & Markets

FROM: Jeffrey B. Cook, Administrative Services Manager III 

DATE: February 9, 2024

SUBJECT: Capital & American Rescue Plan Act Funding Summary

Below is a summary of the capital construction and American Rescue Plan Act (ARPA) accounts for the Agency of Agriculture (Agency) administered by the Water Quality Division through February 9, 2024. These funds provide financial assistance for the Vermont Phosphorus Innovation Challenge (VPIC), Best Management Practice (BMP) Cost Share Program, Capital Equipment Assistance Program (CEAP), and Conservation Reserve Enhancement Program (CREP). This division annually expends approximately \$3.6 million in capital funding through these programs. In FY 2023, the Water Quality Division expended \$4.7 million (\$1.9 million in capital and \$2.8 million in ARPA funds).

The obligations below represent 255 projects in 160 grants and contracts on farms statewide. The Water Quality Division also currently tracks and administers over \$23.2 million in 188 non-capital grants and contracts.

Phosphorus Removal Equipment & Vermont Phosphorus Innovation Challenge

<u>Department ID</u>	<u>Unspent Funds</u> <u>07/01/23</u>	<u>Expended</u> <u>Thru</u> <u>02/09/24</u>	<u>Funding</u> <u>Remaining</u>	<u>Grant & Contract</u> <u>Obligations</u>	<u>Funding</u> <u>Not Obligated</u>
2200991803 (P Red)	\$392,620.91	\$9,532.50	\$383,088.41	\$383,088.41	\$0.00

In FY 2019, the Legislature earmarked \$1,397,590 in capital funds for phosphorus removal equipment. These dollars have also funded the Governor’s Vermont Phosphorus Innovation Challenge (VPIC) initiative. To date, the Agency has entered three phosphorus removal equipment grants, six VPIC prototype and business case development grants (Stage 2), and four VPIC implementation grants (Stage 3). VPIC was envisioned to support solutions for reducing phosphorus loading to Vermont’s landscape and waterways by harnessing opportunities that innovative technologies and developing markets may offer. The phosphorus removal equipment grants support the purchase of a pyrolysis unit to process separated manure solids into biochar, a dissolved air flotation system, and a screw press separator system. Payments from this allocation are expected to continue through 2025 in support of the Stage 3 VPIC work. In FY 2022, the Agency returned \$58,890 of unobligated funding from this account to the Legislature.



Best Management Practice Cost Share & Capital Equipment Assistance Programs					
<u>Department ID</u>	<u>Unspent Funds 07/01/23</u>	<u>Expended Thru 02/09/24</u>	<u>Funding Remaining</u>	<u>Grant & Contract Obligations</u>	<u>Funding Not Obligated</u>
2200992002 (WQ)	\$1,108,839.02	\$483,842.32	\$624,996.70	\$624,996.70	\$0.00
2200992102 (WQ)	\$625,515.21	\$200,000.00	\$425,515.21	\$425,515.21	\$0.00
2200992302 (WQ)	\$2,202,019.00	\$195.00	\$2,201,824.00	\$718,824.95	\$1,482,999.05
Totals - WQ	\$3,936,373.23	\$684,037.32	\$3,252,335.91	\$1,769,336.86	\$1,482,999.05
<u>Department ID</u>	<u>Unspent Funds 07/01/23</u>	<u>Expended Thru 02/09/24</u>	<u>Funding Remaining</u>	<u>Grant & Contract Obligations</u>	<u>Funding Not Obligated</u>
2200892205 (ARPA)	\$3,568,625.80	\$2,660,562.30	\$908,063.50	\$908,063.50	\$0.00
Totals - ARPA	\$3,568,625.80	\$2,660,562.30	\$908,063.50	\$908,063.50	\$0.00
Totals – WQ & ARPA	\$7,504,999.03	\$3,344,599.62	\$4,160,399.41	\$2,677,400.36	\$1,482,999.05

Historically funding for the BMP and CEAP programs come from capital funds. In FY 2022, the Legislature allocated \$3,500,000 of federal ARPA dollars for these programs and another \$2,451,781 of ARPA funds in FY 2023. Finance consolidated these allocations into one account in FY 2023. Additionally, the Legislature approved \$3,000,000 of ARPA dollars from the Clean Water Board’s budgets in FY 2023 and FY 2024 which were erroneously appropriated to the Agency of Natural Resources (ANR). It is anticipated that this \$6,000,000 will be shifted from ANR to Agriculture through the Budget Adjustment Act of 2024. The table above shows the capital and ARPA allocations for these programs. Once the misplaced funds are received, they will be added to the table. These figures include the FY 2024 capital allocation. Below is a description of the programs utilizing these funds:

The BMP program helps farms install structural practices to reduce impacts on Vermont’s landscape and improve water quality. Examples of such practices are liquid waste storage structures, barnyard improvements, silage leachate containment systems, and clean water diversion projects. BMP dollars also pay for external engineering services for approved projects on farms which cannot be handled by Agency staff. The Agency’s engineering design and construction oversight capacity varies based on the recommended structural improvement but is typically between 40 to 50 farms annually. BMP dollars also augment federally funded projects through the United States Department of Agriculture’s (USDA) Environmental Quality Incentives Program (EQIP) providing farms additional state dollars making implementation of projects more feasible financially. The Agency allocates funds associated with EQIP year-round and will continue as information becomes available from USDA. Agency engineers contact applicants, evaluate their needs, and rank projects for potential financial assistance throughout the year.

CEAP helps offset new or innovative equipment costs to aid the reduction of agricultural waste surface runoff to state waters, reduce odors from manure application, separate phosphorus from manure, decrease greenhouse gas emissions, and reduce farm costs when applying manure. Examples include no-till corn planters, manure application record keeping units, and phosphorus removal technology or equipment projects.

Conservation Reserve Enhancement Program

<u>Department ID</u>	<u>Unspent Funds</u> <u>07/01/23</u>	<u>Expended Thru</u> <u>02/09/24</u>	<u>Funding Remaining</u>	<u>Grant & Contract Obligations</u>	<u>Funding Not Obligated</u>
2200992202 (CREP)	\$184,012.70	\$18,046.35	\$165,966.35	\$0.00	\$165,966.35

In FY 2022, the Legislature appropriated \$200,000 in capital funds for the Conservation Reserve Enhancement Program (CREP). CREP partners with USDA to establish buffers along Vermont’s waterways. This allocation was made from capital dollars instead of ARPA funds because rules for the federal program prohibit the utilization of other federal funding as match.

When a farm enrolls in CREP, the farm receives federal payments to remove acreage from farm production and an up-front incentive payment from the Agency. CREP is authorized under the U.S. Farm Bill. Enrollment in CREP has been hampered since Vermont adopted the Required Agricultural Practices (RAPs) in 2018. Authorities in the federal program deemed Vermont land ineligible to enroll in CREP because buffers were deemed as “required” under the RAPs. A language change has been requested for the Federal Register which would make Vermont’s land eligible for enrollment. In the meantime, ongoing efforts with the federal agencies have allowed Vermont CREP projects to be deemed eligible. Many farms are in the process of enrolling in this program and expenditures will be ramping up in the next few months.

Soil-Based Practices

<u>Department ID</u>	<u>Unspent Funds</u> <u>07/01/23</u>	<u>Expended Thru</u> <u>02/09/24</u>	<u>Funding Remaining</u>	<u>Grant & Contract Obligations</u>	<u>Funding Not Obligated</u>
2200892308 (ARPA)	\$4,331,284.40	\$345,076.04	\$3,986,208.36	\$1,369,669.70	\$2,616,538.66

In FY 2022, the Legislature appropriated \$4,760,000 of ARPA funds to provide Vermont farms with financial assistance for the implementation of soil-based practices to improve soil quality and nutrient retention, increase crop production, minimize erosion potential, and reduce agricultural waste discharges. This fiscal year, the Agency anticipates obligating \$1.5 million of these funds in grants to support local and regional organizations to improve feed management and support pasture efforts and in FY 2025 another \$900,000 for field-based practices.

The Agency has agreed to revert \$200,000 of unobligated funding from this allocation to the Legislature. This should occur when the budget passes this spring.

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