

March 3, 2023

Dear House Committee on Appropriations,

Thank you for the opportunity to provide comments to the FY2024 budget regarding areas pertaining to the Agency of Natural Resources, the Natural Resources Board, the Vermont Housing and Conservation Board, the Public Service Department and the Public Utility Commission. Thank you, also, for providing your helpful template – however, we have ultimately found that providing a memo to you in narrative form is preferable for our Committee.

There are many areas in the Governor’s Recommended budget that we support. Some of these include:

Section	Amount	Purpose
B.1100(21)(c)/ Sec. E.700	\$5M	Clean Heat Program
D.100	\$10.5M	Full statutory funding for RPCs
B.1100(21)(A)	\$700K	one-time for refrigerant management
B.1100(24)(H)	\$1M	Emissions Repair for 3 years
B.1100	\$10M	DEC Healthy Homes Initiative (repair/replace water systems for LMI or MHCs)
B.1100(24)©	\$1M	PFAS testing in groundwater
B1101(a)(2)	\$9M	DEC ECF for PFAS testing
B1100(a)(25)	\$1.2M	NRB
B.326/E.326	\$750k	OEO replacement and repair of heating equipment
B1100(a)(24)	\$2.5M	DEC Brownfields BRELLA for assessment & planning
B.1101(a)(4)	\$1.2M	PSD: \$300K for electric policy, \$500k for ePSD update; \$400K for telecom plan update

There are other areas that we support, directionally, but have recommended changes to them. These include:

B.1100(21)(D) Governor’s Recommendation: \$300K for three FTE Environmental Justice Positions:

We support this appropriation, but we strongly recommend that it be moved from one-time funding to base funding. Background/Justification: The Environmental Justice Bill, signed into law in 2022, included 3 FTE. The FY23 Budget Bill, Act 185, uses one-time funds to cover those three FTE. The Governor’s FY24 Budget Recommend proposes to use one-time funding to support these positions. The work described in Act 154 is on-going and comprehensive. Additionally the three positions are also assigned to work on compliance with federal civil rights laws and regulations, including the Civil Rights Act of 1964, work that is also on-going.

B.1100(21)(B) Governor’s Recommendation: \$900K for one time climate office work

We support this appropriation and request that the following language be added to the respective section E pertaining to this appropriation: "The Climate Office must regularly communicate, collaborate and determine appropriate use of the funds with the Vt Climate Council, its’ steering and subcommittees while utilizing this appropriation."

B1100(a)(28) Governor’s Recommendation: \$10M for ACCD Brownfields program

Regarding the Governor's proposed language amendment (see below), we support the "site" language (not "parcel"), we support raising the cap from \$200,000 to \$500,000, and we also support the "notwithstanding" language (items to be changed are in yellow highlights):

Sec. 16 2022 Acts and Resolves No. 185, Sec. G.300(c)(2) is amended to read:

(2) \$6,000,000 to the Department of Economic Development for the remediation and redevelopment of brownfield sites to be used in the same manner as the Brownfields Revitalization Fund established by 10 V.S.A. § 6654, except notwithstanding the grant limitations in 10 V.S.A. § 6654, projects supported by this appropriation shall not be limited to \$200,000 grants per parcel. The Agency of Commerce and Community Development shall award the amount of \$1,000,000.00 in fiscal year 2023 to regional planning commissions for the purposes of brownfields assessment. In awarding funds under this section, the Secretary, in consultation with VAPDA, shall select one regional planning commission to administer these funds. To ensure statewide availability, the selected regional planning commission shall subgrant to regional planning commissions with brownfield programs, with not more than 5 percent of the funds being used for administrative purposes."

D100(a)(2) RE: Vermont Housing Conservation Board (VHCB)

We support the Governor's recommendation to provide an additional \$10M for housing. However, we also recommend that VHCB receive, in addition to the \$10M for housing, the full funding as provided in statute (\$27.8M for the past year). The original statute that set up VHCB—the state program to achieve the complementary goals of housing and conservation—specifically tied its funding to the Property Transfer Tax **so that in times of significant demand on real estate, which both makes affordable housing tougher to find and properties more expensive to conserve, there would be a commensurate increase in the funding to accomplish affordable housing and conservation goals. This is what we are facing today.**

In order to advance the state's goals related to climate, water quality, biodiversity, resilience, conservation, and outdoor recreation, VHCB should be appropriated property transfer tax revenue according to statutory intent. While significant one-time ARPA funding of \$50 million has been allocated to VHCB for the purpose of housing recovery, transfer tax revenue provides base funding **for its full range of conservation, farm and forest viability, historic preservation and housing projects and programs.** In addition, VHCB's base funding gives it the flexibility to bring additional resources to the state by securing, matching, and administering federal funds including from the U.S. Dept. of Agriculture's Natural Resources Conservation Service and the Land and Water Conservation Fund among others. As the cost of land and homes rises (which leads to increased property transfer tax revenues), VHCB's impact will diminish without an increase in its base appropriation.

To illustrate this point, if VHCB were to receive \$15M in General Funds, as the Governor recommended in his budget, conservation would receive roughly \$6M. This is less than what we received last year and even less than what is needed to meet increased costs. Moreover, we

expect that real estate costs will continue to rise, as more people move to Vermont, attracted to the quality of life that VHCB has worked hard to protect.

B709 LakeWise Program / Positions to address water quality and aquatic invasive species

We recommend restoring the LakeWise program to last year's funding, including the restoration of the two positions that have been cut over the recent past. We received testimony that the most effective way to address the health of our water bodies (e.g. pertaining to aquatic invasives) is through public outreach and education. These two positions are the individuals who would be fulfilling public outreach and education tasks. Vermont's water bodies are a critical part of the health of our state's economy and public. We do not support undermining the long-term health of our water bodies via this budget, which "includes a fairly aggressive vacancy savings target (\$705k - which is approximately 6 full-time positions)" (quoted from the spreadsheet provided by House Appropriations).

D101(2)(B) Governor's Recommend: \$120K for Lakes in Crisis

HEE is very concerned with the health of our lakes and other water bodies. We support the slight increase the Governor recommends, but suggest further funding be provided to address invasive aquatic plants and species. However, we do not support using this money for herbicides; we support this funding for prevention efforts. This relates to our recommendation provided directly above.

B1100(a)(12) Governor's Recommendation for \$10,000,000 for PSD's Critical Infrastructure Program

The Committee is concerned with this allocation due to the level of detail that we have received regarding where these funds will go. Until we understand more about the specifics of this requested appropriation, we neither recommend nor oppose. We need greater understanding and assurance about how this proposal will target the most underserved and unserved areas.

Other areas that the Committee discussed included:

- Identifying a special fund to support compensating volunteers via community engagement stipends. The need to do this has come up several times in Committee. For example, the Public Service Department is allocating \$300,000 to conduct outreach for the next Comprehensive Energy Plan (which we support), the Vermont Housing and Conservation Board has requested funding to complete outreach to a Biodiversity bill that our Committee just voted out, and if additional requests are made of the Vermont Climate Council, then it is likely volunteers would need support to provide their time and expertise to complete additional VCC work.
 - Relatedly (but different), there is a need within the Agency of Natural Resource to support facilitation efforts – particularly to environmental justice work.

- We strongly support the Vermont Access Network's request for \$1M in one-time funds for short-term relief to meet community communications needs in all corners of the state while awaiting broader policy change in Vermont's telecommunications tax structure.
- The Committee understands that JFO is completing analysis as to whether there are certain federal dollar appropriations made in the last biennium, that may not be spent in the time required and therefore could be sent back to the Federal government. The Committee is recommending that if funds are identified to be at risk of being returned to the Federal government, that these funds should, instead, go to DEC to provide as grants to smaller towns for water and wastewater infrastructure projects. The DEC grant division has been getting the funds out the door swiftly for these programs.
- The Committee notes that the Environmental Contingency Fund is being depleted, that the Clean Water Fund appears to be being utilized for various transfers, and that there are ongoing (and increasing) costs expected due to brownfields remediation work and polychlorinated biphenyls in Vermont schools. As a Committee, we plan to discuss these funds, how they are used, and to identify future funding opportunities as the need continues to grow – not diminish. Relatedly, we recommend that \$8 million be set aside for PCB remediation in schools, aligned with the \$8 million set aside for brownfields remediation.
- The Committee recommends repealing the sunset of the Clean Water Fund's Property Tax Clean Water Surcharge. The proposed budgetary change is to remove the 2027 sunset provision on the Clean Water Fund Property Transfer Tax (PTT) Clean Water Surcharge and, when the VHCB bond payments are complete in 2039, re-direct that \$1 million back to the Clean Water Fund annually. The second § 9602a goes into effect in 2027 to keep \$1 million directed to VHCB for bond repayment until 2039 after the sunset of the CWF PTT in 2027. The initial PTT surcharge of 0.2% when passed was about \$5 million, so 0.04% that is one-fifth of 0.2 and would yield about \$1 million annually. As the proposed budgetary change to remove the sunset to keep the 0.2% PTT directed to the CWF will include the \$1 million to VHCB until 2039, the second 9602a is redundant and could be struck. Under this proposal, after the VHCB bond is repaid, that \$1 million would be directed back to the CWF. Language is as follows:

32 VSA 9602a

~~[Section 9602a effective until July 1, 2027; see also section 9602a effective July 1, 2027 and repealed effective July 1, 2039 set out below.]~~

§ 9602a. Clean water surcharge

There shall be a surcharge of 0.2 percent on the value of property subject to the property transfer tax under section 9602 of this title, except that there shall be no surcharge on the first \$100,000.00 in value of property to be used for the principal residence of the transferee or the first \$200,000.00 in value of property transferred if the purchaser obtains a purchase money mortgage funded in part with a homeland grant through the Vermont Housing and Conservation Trust Fund or that the Vermont Housing and Finance Agency or U.S. Department of Agriculture and Rural Development has committed to make or purchase. The surcharge shall be in addition to any tax assessed under section 9602 of this title. The surcharge assessed under this section shall be paid, collected, and enforced under this chapter in the same manner as the tax assessed under section 9602 of this title. The Commissioner shall deposit the surcharge collected under this section in the Clean Water Fund under 10 V.S.A. § 1388, except for the first \$1,000,000.00 of revenue generated by the surcharge, which shall be deposited in the Vermont Housing and Conservation Trust Fund created in 10 V.S.A. § 312 until 2039, at which time the housing bond is paid, and the first \$1,000,000 of revenue generated will then be directed back to the Clean Water Fund under 10 V.S.A. § 1388.

~~(Added 2015, No. 64, § 38, eff. June 16, 2015; amended 2017, No. 85, § 1.9; 2017, No. 85, § 1.10, eff. July 1, 2027; repealed on July 1, 2039 by 2017, No. 85, § 1.11(a)(5).)~~

§ 9602a. Clean water surcharge

~~There shall be a surcharge of 0.04 percent on the value of property subject to the property transfer tax under section 9602 of this title, except that there shall be no surcharge on the first \$100,000.00 in value of property to be used for the principal residence of the transferee or the first \$200,000.00 in value of property transferred if the purchaser obtains a purchase money mortgage funded in part with a homeland grant through the Vermont Housing and Conservation Trust Fund or that the Vermont Housing and Finance Agency or U.S. Department of Agriculture and Rural Development has committed to make or purchase. The surcharge shall be in addition to any tax assessed under section 9602 of this title. The surcharge assessed under this section shall be paid, collected, and enforced under this chapter in the same manner as the tax assessed under section 9602 of this title. The Commissioner shall deposit the surcharge collected under this section in the Vermont Housing and Conservation Trust Fund created in 10 V.S.A. § 312. (Added 2015, No. 64, § 38, eff. June 16, 2015; amended 2017, No. 85, § 1.9; 2017, No. 85, § 1.10, eff. July 1, 2027; repealed on July 1, 2039 by 2017, No. 85, § 1.11(a)(5).)~~

Thank you for the opportunity to provide comments.

Sincerely,

Chair Sheldon