

MEMORANDUM

TO: Jolinda LaClair, Deputy Secretary
FROM: Jeffrey B. Cook, Financial Manager I
DATE: February 2, 2015
SUBJECT: Capital Construction Funding Summary

Below is a summary of the capital construction funding accounts for the Agricultural Resource Management Division at the Agency of Agriculture (Agency) as of January 31, 2015. These funds provide financial assistance for the Best Management Practice (BMP) Cost Share Program, Conservation Reserve Enhancement Program (CREP), and Capital Equipment Assistance Program (CEAP).

| <u>Department ID</u> | <u>Unspent Funds As Of 07/01/14</u> | <u>Expended Thru 01/31/15</u> | <u>Funding Remaining</u> | <u>Financial Obligations</u> | <u>Funding Not Obligated</u> |
|----------------------|---|---------------------------------------|------------------------------|----------------------------------|----------------------------------|
| 2200990801 | \$197,674.93 | \$197,906.93 | \$0.00 | \$0.00 | \$0.00 |
| 2200990901 | \$579,196.60 | \$393,320.98 | \$185,875.62 | \$185,875.62 | \$0.00 |
| 2200991002 | \$695,448.04 | \$27,448.95 | \$667,999.09 | \$315,586.84 | \$352,412.25 |
| 2200991102 | \$563,599.98 | \$11,300.20 | \$552,299.78 | \$552,299.78 | \$0.00 |
| 2200991202 | \$789,452.40 | \$86,068.44 | \$703,383.96 | \$703,383.96 | \$0.00 |
| 2200991402 | \$1,196,089.00 | \$19,934.57 | \$1,176,154.43 | \$735,207.76 | \$440,946.67 |
| Totals | \$4,021,460.95 | \$735,748.07 | \$3,285,712.88 | \$2,492,353.96 | \$793,358.92 |

The table shows \$793,358.92 in funding remains unobligated. Of these funds, \$352,412.25 is earmarked for the CREP program. CREP works in conjunction with the United States Department of Agriculture (USDA) and establishes buffers along waterways in Vermont. When a farmer signs up for this program, he/she receives a federal contract and a state grant. The farmer receives federal funding for participating in the program and an up-front incentive payment from the Agency. CREP is authorized under the U.S. Farm Bill.

The remaining funds are available for the BMP program. These dollars help farmers 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.

As directed by statute, BMP dollars augment federal funded projects through USDA's Environmental Quality Incentives Program (EQIP) contracts providing farmers additional cost share dollars making implementation of their projects more economically feasible. The Agency has begun allocating funds in association with this program and will continue as information becomes available from USDA. It is anticipated the remaining funds will be obligated through approximately 25 grants with farmers enrolled in EQIP by April 2015. The Agency also has a list of 40 farmers interested in installing various BMP's on their farms. These farmers are working with the engineering staff to determine whether the projects will move forward with state funding. These projects could equate to between \$500,000 and \$750,000 in state capital funds if grants are awarded.

The Agency is requesting \$1.4 million and \$1.8 million respectively in the Fiscal Year 2016 and 2017 Capital Budget Bill. These figures are based on increased efforts by Agency staff to target small farms needing improvements and additional funding for EQIP. USDA will be targeting \$45 million over the next five years to the Lake Champlain Basin through this program. This is an increase of \$15 million above the historical levels to this region.

The Agency, Department of Buildings & General Services, and Legislature agreed the Agency would not seek capital funds for these programs in Fiscal Year 2014 in exchange for the ability to retain and expend prior fiscal year allocations and reduce the number of active accounts.

The Agency was also tasked with cleaning up older grant agreements with farmers. Since March 2013, this exercise has resulted in the cancellation of 312 practices in 87 older BMP grants totaling \$895,285.07. The cancelled funds have been reallocated with other capital dollars to fund new BMP and CEAP grants. The current financial obligations for these programs are listed in the table above. These obligations represent approximately 95 grant agreements.

In past years, the Agency has returned \$605,241.68 in capital construction funds to Buildings through the FY2011 Capital Budget Act (\$355,241.68 from FY2001 through FY2005 allocations) and in FY2012 (\$250,000 was removed from the Agency's allocation and redirected for the Vergennes Capital Project).

Annually the Agency expends between \$1.0 and \$1.8 million for these programs. 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.

The Agency has been working with the Department of Buildings & General Services (BGS) to release two Requests for Proposals (RFP) in the next few weeks that will utilize capital funding from these accounts. The first RFP will retain private engineering firms to work on BMP projects utilizing approximately \$150,000 in the next calendar year. The second RFP will contract services to design and implement BMP's that do not require engineering services utilizing up to \$250,000.

Expenditures to date this fiscal year are lower than anticipated due, in part, to challenges faced by the Agency's engineering section this past year. Of the four positions, three employees utilized family leave for extended periods and one employee resigned. That position was filled in October. It is expected that in the remainder of FY 2015, and FY 2016 and FY 2017, significant increases in BMP project implementation will result due to a fully-staffed engineering team, additional USDA funding, increased enforcement efforts, and execution of the Phase I Implementation Plan for the Lake Champlain Total Maximum Daily Load (TMDL).

/jbc