

Funding Vermont's Clean Water Initiative



Introduction: The following summary of the budget and revenue proposals pending before the Vermont House of Representatives is provided in response to a series of related inquiries from you and other committee chairs. We have organized the information around the three state funding mechanisms: (1) Clean Water Fund proposal; (2) Operating budget proposal; (3) Capital budget proposals including transportation funding; and, (4) Federal funding sources. For each category, this presentation will summarize both the requested expenditures and proposed sources of revenue. Please refer to the attached memo for background and explanation.

Clean Water Initiative – Balance Sheet

| Category | FY'16 | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | FY'22 |
|----------------------------------------------------------|--------------------|--------------------|-------------|-------------|-------------|-------------|-------------|
| Clean Water Fund | | | | | | | |
| Clean Water Fund - Needs Estimate | 0 | \$2,400,000 | \$7,400,000 | \$7,650,000 | \$7,650,000 | \$6,800,000 | \$5,000,000 |
| AAFM Operating Expenses | | | | | | | |
| AAFM - 7 Positions - Salary and Benefits | \$680,000 | | | | | | |
| AAFM - Program and Operating Expenses | \$272,000 | | | | | | |
| AAFM - Grants to Farmers | \$248,000 | | | | | | |
| AAFM Operating Expenditures (Increase over FY'15) | \$1,200,000 | | | | | | |
| AAFM Related Fees | | | | | | | |
| AAFM Fee Revenue (Increase over FY'15) | \$1,206,000 | | | | | | |
| DEC Operating Expenses | | | | | | | |
| DEC - 13 Positions - Salary and Benefits | \$865,000 | | | | | | |
| DEC - Program and Operating Expenses | \$342,000 | | | | | | |
| Contracting with Regional Planning Commissions | \$333,000 | | | | | | |
| DEC Operating Expenditures (Increase over FY'15) | \$1,540,000 | | | | | | |
| DEC Water-Related Fees | | | | | | | |
| DEC Water-Related Fees (Increase over FY'15) | \$1,557,756 | | | | | | |
| Capital Funds | | | | | | | |
| DEC Ecosystem Restoration Program | \$1,250,000 | \$1,250,000 | | | | | |
| VAAFM Best Management Practices Program | \$200,000 | \$600,000 | | | | | |
| Capital Funds Total (Increase over FY'15) | \$1,450,000 | \$1,850,000 | | | | | |
| Transportation Funds | | | | | | | |
| AOT Operating - 4 Positions | No new \$ | \$360,000 | | | | | |
| Transportation Funds Total (Increase over FY'16) | No new \$ | \$360,000 | | | | | |

Notes:

- These numbers reflect requests for new expenditures only and are in addition to existing (i.e. included in FY 15 budgets) expenditures related to clean water programs in the state operating and capital budgets.
- Operating and capital costs are expected to increase over time but we do not have accurate estimates for those costs beyond FY16 for AAFM or DEC given the variables described in the attached memorandum at page 9. Similarly, this chart does not reflect the future operating costs or capital costs for AOT because we do not have accurate estimates for their future costs beyond FY'17 at this time.
- The estimated need for expenditures from the Clean Water Fund is based on the known need. The need may be larger and depends on variables described in the memorandum at page 5.

Clean Water Fund – State Revenue Needs Estimate

This is not a budget proposal but instead an estimate of demands on the Clean Water Fund not covered by federal or other funds. The Clean Water Fund will be targeted at non-point source pollution.

| Category | Strategy | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | FY'22 | FY'2035 |
|-----------------------------------------------------------------------------------------|-------------------|------------------|------------------|------------------------|------------------|------------------|------------------|------------------|
| Agricultural Lands | 1, 2 | \$600,000 | \$600,000 | \$850,000 ^F | \$850,000 | TBD | TBD | TBD |
| | 3 ^A | \$0 | \$0 | \$0 | TBD | TBD | TBD | TBD |
| Municipal Stormwater | 1, 2 | \$800,000 | \$800,000 | \$800,000 | \$800,000 | \$800,000 | \$0 | \$0 |
| | 3 ^B | TBD ^G | TBD ^G | TBD ^G | TBD ^G | TBD ^G | TBD ^G | TBD ^G |
| Town Highways - 80% of all road miles in Vermont are managed by towns. | 1, 2 ^C | \$500,000 | \$500,000 | \$500,000 | \$500,000 | \$500,000 | \$0 | \$0 |
| | 3 ^{C,D} | \$0 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 |
| Natural Resources - Privately and publicly held wetlands, forests, and river corridors. | 1, 2 ^E | \$500,000 | \$500,000 | \$500,000 | \$500,000 | \$500,000 | \$0 | \$0 |
| | 4 ^E | TBD ^G | TBD ^G | TBD ^G | TBD ^G | TBD ^G | TBD ^G | TBD ^G |
| Minimum known costs | | \$2,400,000 | \$7,400,000 | \$7,650,000 | \$7,650,000 | \$6,800,000 | \$5,000,000 | |

Key of Strategies

1 - Mapping, inventory, prioritization and planning

2 - Education, outreach, technical assistance, inspection and enforcement.

3 - Pollution control and abatement - projects and practices to control pollution. Examples include installing rock-lined ditches along gravel roads, installing buffers along farm fields, and re-building paved surfaces to mitigate stormwater run-off.

4 - Restoration and conservation

Notes

^A First 4 years of funding for agricultural pollution control projects funded by NRCS and LCBP funds. Beyond that a state share may be needed.

^B Need in this category is substantial with early estimates totaling tens of millions per year. We propose to assist municipalities in meeting this need through low interest loans from the Clean Water State Revolving Fund and state grants with a local match.

^C VTrans will administer through an expanded municipal water quality program.

^D Rough estimate that would be revised based on the first round of planning and inventory development.

^E Wetland, river, and forest conservation and restoration partially funded through state ERP and federal NRCS programs.

^F Increase over FY'18 to cover loss of 3 agronomist positions at Lake Champlain Basin Program (LCBP).

^G Cost estimate available once inventories, prioritization, and planning are complete and policy decisions are made (level of match, loan v. grant, etc).

VT DEC and AAFM Proposed FY'16 Revenue and Expenditures

| Revenue Sources | FY'16 |
|----------------------------------------------|-------------|
| AAFM Fees - Increase over FY'15 | \$1,206,000 |
| DEC Water-Related Fees - Increase over FY'15 | \$1,557,756 |

| Expenditures | FY'16 |
|------------------------------------------------|--------------------|
| AAFM - 7 Positions - Salary and Benefits | \$680,000 |
| DEC - Program and Operating Costs | \$272,000 |
| AAFM - Grants to Farmers | \$248,000 |
| AAFM Total Operating Expenditures | \$1,200,000 |
| DEC - 13 Positions - Salary and Benefits | \$865,000 |
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| Contracting with Regional Planning Commissions | \$333,000 |
| DEC New Operating Expenditures | \$1,540,000 |

Clean Water Programs in Capital and Transportation Bills

See memorandum for descriptions of each program

| Revenue Source | FY'15 | FY'16 Budget (proposed) | FY'17 Budget (proposed) |
|-------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------|-------------------------|
| Capital Bill – Agriculture (Best Management Practices, Conservation Reserve Enhancement, Critical Source Seeding) | \$1.2M | \$1.4M | \$1.8M |
| Capital Bill – Ecosystem Restoration Grants | \$2.57M | \$3.75M | \$3.75M |
| Capital Bill – State Revolving Fund (SRF) Match | ~\$1.3M | ~\$1.3M | ~\$1.3M |
| Transportation - TS4 Implementation and Clean Water Initiative Support ¹ | \$3.2M ² | \$3.2M ² | \$3.56M |
| Transportation Alternatives Fund ³ | \$0 | \$1.1M | \$1.1M |
| Municipal Mitigation Program (includes Better Backroads) ¹ | \$872K | \$650K | \$470K ⁴ |

¹Transportation funds are a mix of state and federal funds (Federal Highway Administration).

²Before the TS4 is in place these funds are dedicated to permit compliance.

³Transportation Alternatives Fund utilizes no state funds.

⁴Future increases in Better Backroads funding for FY'17 and beyond will come from Clean Water Fund monies.

Federal Programs that Support Vermont's Clean Water Initiative

| Revenue Source | Current FY | FY16 Budget |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|----------------------------------------|
| USDA NRCS – Farm Bill water quality (EQIP) programs for Lake Champlain (almost entirely direct payments to farmers; budget includes \$45M over 4 years which contains \$15M of new funds for Lake Champlain) | \$6.9M | \$8.9M |
| USDA NRCS – VT/NY Partners Grant (\$16M RCPP 5-year grant) | \$1M | ~\$3.5M |
| USDA NRCS – VACD Partners Nutrient Management Grant (RCPP, 5-year grant) | \$0 | \$0.14M |
| U.S. EPA State Revolving Fund (See Capital Bill slide) | \$6.9M | \$6.9M |
| Lake Champlain Basin Program Grants (monitoring, research, tech. assistance, grants) | \$1.2M | ~\$3.7M |
| Federal Highways Administration | See Slide 5 Cap. and Trans Fund | See Slide 5 Cap. and Trans. Fund |

Key

- RCPP: Resource Conservation Partnership Program (USDA NRCS partnership grant program)
 USDA NRCS: U.S. Dept. of Agriculture Natural Resources Conservation Service
 U.S. EPA: U.S. Environmental Protection Agency