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Vermont Association of Planning & Development Agencies

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Clean Water Funding

Policy Positions

March 29, 2018

It is important to our environment and economy that the State develop a long-term funding system that is equitable and is effective in achieving our shared clean water goals. Below are our comments intended to assist the Legislature address the need for long term water quality funding. These positions were reviewed and approved by VAPDA on February 7, 2018.

Needs

1. **Commitment**. The State of Vermont made commitments through Act 64 and other mechanisms to the Federal Government and our residents to meet clean water standards. It is critical that the State address the short and long-term funding needed to follow through on these commitments. The environmental, social, and economic costs of not complying with these commitments is high.
2. **Capital Costs.** According to the State Treasurer's Report from January 2017, the 20-year total clean water compliance costs [for capital investment] are estimated to be $2.3 billion. Revenues during that time period are projected at $1.06 billion, leaving a 20-year total gap of $1.25 billion. Annual compliance costs are estimated at $115.6 million, revenues at $53.2 million, leaving a gap of $62.4 million per year. Estimates encapsulate all public and private costs, including municipalities, farms, private residences and businesses, natural resource restoration, and the State [except for operations and maintenance costs]. Existing funding should be used before raising additional revenue.
3. **Operations and Maintenance Costs.** Our municipal MS4 stormwater communities report between 50% to 67% of their budgets being needed for operation, maintenance, and administrative activities. Ongoing operations and maintenance (O&M) costs exist, can be significant, are necessary to realize the water quality benefits of any physical improvements, and should be considered and planned for as part of the overall statewide water quality funding needs. Because municipalities bear these long-term O&M costs, we believe the State should raise 80% of the required capital funding.
4. **Project Development**. Based upon our experiences with other capital projects, we estimate that at least 20% of all funding needs to be non-capital slated for project development. This level of investment is needed to properly identify the best and most appropriate projects and get them into the development pipeline. It is crucial to provide adequate resources for the initial two or three stages of work described in the project life cycle graphic on page 6 of the Act 73 Report.

Some of that funding is available for Tactical Basin Planning and through the ERP program, but much more is needed to fully develop projects, or "evaluate options and select approach" and working with sponsors and landowners. This funding is needed now and is critical to building confidence in future investment decisions. Look to VTrans as a model. There is only $300,000 of Clean Water Fund resources proposed for FY2019. This amount should be increased to $3,000,000 in this early period to properly invest in developing a good project list for capital funding.

Support for Generating Additional Revenue

5. **Statewide funding**. Raising the majority of needed funding statewide will allow the State to best manage investments that have the greatest cost-effectiveness. The cost to society will be less if effective investments are made in high-priority locations. We recommend that the State raise enough revenue to cover 80% of capital costs (including federal funds) instead of 50% due to the O&M costs not being included. The recommendation of 50% to be borne by municipal taxpayers is overly onerous and does not take into account the long-term O&M costs that the municipality currently bear and will into the foreseeable future.
6. **Parcel Fee/All-in**. We support the implementation of a statewide fee and system to provide adequate funding over the next 20 years. A broad-based approach that spreads these costs out among all Vermonters should be implemented. A parcel-based fee of some kind makes the most sense in terms of having a rational nexus and having an "all in" approach. It is essential for all properties, including those that are exempt from property tax such as government land and facilities, State roads, railroads, and buildings be included. We support the recommendation to implement a parcel-based tiered fee at the beginning of FY19, with a more accurate impervious-based tiered fee to follow when ready.

Governance and Administration

7. **Trust Fund**. Revenues raised should go into a dedicated trust or enterprise fund.
8. **Management**. High level, science-based priorities should be decided by the governing body about priority investments in different categories and/or watersheds. This will facilitate development of trading networks which will provide a mechanism for municipalities with less cost-effective implementation options to meet their regulatory obligations. Investment priorities should be based upon the best available science. Evaluate how municipalities and regions may best participate in the investment prioritization process.

Statewide Collection

10. **Collection generally**. It is important that the collection system address:
    a. How to impose a new fee on tax exempt property.
    b. How residents will be able to easily distinguish this fee from local property taxes.
    c. The cost of administration.
    d. Method of enforcement/penalties when entities do not pay the fee.