

Testimony of
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Before the House Ways and Means Committee
March 15, 2017

Good Afternoon, Chair Ancel and Members of the Committee,

Thank you very much for allowing us to testify on this important subject. On behalf of the Lake Champlain Committee and the environmental organizations that make up our coalition, we ask that the Committee pass a measure to provide the revenue necessary to assist the regulated community of farmers, businesses, and municipalities in meeting the state and federal clean water requirements.

Specifically, we ask that the Committee consider a three-part proposal.

1. Extend for two years the Property Transfer Tax Clean Water Surcharge. This brings in annual revenue of about \$5 million as part of the “bridge funding” that is critical to moving forward. The remainder of the “bridge funding” is bond money and transportation expenditures, so some of this package is the jurisdiction of the House Institutions Committee and the House Transportation Committee.
2. Establish a Working Group as recommended by the House Natural Resources, Fish and Wildlife Committee to develop an equitable and effective long-term funding method that includes a representative from key stakeholders including farmers, businesses, environmental groups, and municipalities.
3. Enact a backstop of a simple per parcel fee to take effect in FY2020 to provide surety that long-term water quality funding will go into effect once the “bridge funding” expires. Essentially, this “trigger” would go into place if the Working Group fails in its charge so there is no funding gap.

Reducing nutrient pollution and sedimentation into our lakes and rivers will be expensive. Any funding that is not supplied by the state will have to come from somewhere else, namely the regulated community of farmers and municipalities. For the farmers, the cost of new practices and procedures to reduce nutrient and sediment runoff will have to come out of their pocket. For municipalities, the costs of upgrading impervious surfaces such as roads, parking lots and buildings to reduce runoff will come from local ratepayers and local taxes.

We maintain that some important guidelines be followed when deciding on a revenue source: 1. an “all in” approach – everyone pollutes to varying degrees, so everyone should pay to varying

degrees; 2. the funding must be long-term and stable, so plans with long-term goals can be made; and, 3. there must be a significant nexus to the causes of pollution.

The cost projections from the Treasurer's Report are the most concrete numbers available and an excellent place to start. The totals in the Report were compiled by the Office of the State Treasurer with the assistance from the Agency of Natural Resources, the Agency of Agriculture, Food and Markets, the Agency of Transportation and the Agency of Commerce, and are broken down by sector and projected over 20 years in the charts entitled Summary: Costs for Clean Water Improvements by Sector. These are the best estimates anyone has.

The Report states that the annual cost of compliance with the TMDL Implementation Plan is \$115.6 million. Currently, state and federal annual revenues total \$53.2 million, leaving an annual gap between revenue we have and revenue we need of \$62.4 million. The Report breaks this down further into Tier 1 and Tier 2 gaps.

The annual Tier 1 cost gap is \$48.5 million. This represents the bare minimum needed to comply with the federal and state-required clean water plans, or TMDLs, with Act 64, and with the 2016 Combined Sewer Overflow Policy. The remainder is Tier 2, which the Report lists as "costs that support, enhance, catalyze and accelerate compliance, such as capital equipment assistance for agricultural and municipal stormwater runoff controls." Even the bare minimum Tier 1 cost of \$48.5 million annually is daunting, but these costs are only going to increase the longer we delay.

The Secretary of Administration recently testified before this Committee to request an eight-month delay to allow time to gauge whether the revenue is currently available to fund pollution reduction in Vermont waters. We understand their desire to determine for themselves whether the funding is currently available, but in all likelihood, it is not, or the funds would have been found before now. Additionally, we are concerned that this funding would come at the expense of other programs.

Further delays will continue to have economic consequences. Property values have declined in communities plagued by algae blooms. No one wants to vacation on a green Lake. Some of the blooms can be toxic and threaten to public health. The Treasurer's Report notes that over \$2.5 billion is spent annually in the state of Vermont by visitors and vacation homeowners. Citing a UVM study, the Report states that visitors contributed \$318 million in tax and fee revenues in 2013 and supported an estimated 30,000 Vermont jobs. Of this amount, \$115 million went to the general fund, \$188 million to the education fund and \$15 million to the transportation fund. The natural environment is the state's most important asset. The investments to protect and restore it are investments in our economic vitality, public health, quality of life and our future.

Cleaning up our waterways is costly and challenging. However, inaction will not make the problem go away, it will only make it more expensive as waters get more polluted. We urge you to take action now. Thank you again for the opportunity to testify before the Committee today.