

VERMONT CLEAN WATER FUND DISTRIBUTIONS FOR FY19 FINAL BUDGET

Purpose: As directed by Act 64 (2015) and modified by H.876 (2016), the Vermont Clean Water Fund Board is to develop an annual revenue estimate and propose a budget for the Clean Water Fund.

Implementation Policies: The Clean Water Fund provides additional state funds above current allocation levels to complement, enhance and leverage existing resources. The use of the Fund is to maximize opportunities for the restoration and protection of Vermont's water ways by prioritizing and targeting resources. To maximize the effectiveness of this Fund, the Fund should strengthen and complement existing state assistance programs (e.g., grant and loan pass-through programs), wherever feasible.

Contingency to Avoid Overruns: Ten percent of the anticipated annual revenues from the surcharge on the property transfer tax are set aside as a contingency to avoid the risk of spending more funds than the amount available in the Clean Water Fund for that fiscal year.

Priorities: The Board shall make its recommendation based on the following priorities, as stated in Act 64 Sec. 37 (10 VSA §1389(e)). Please refer to a separate document entitled, *Vermont Clean Water Fund SFY19 Distribution Priorities* for more information about state priorities.

What's New for FY19: The State Legislature directed an additional \$11,112,944 of FY19 capital funds, targeted for clean water improvement projects, to be dispersed using the Clean Water Fund Board budget setting process. The tables in this document present final allocations of Clean Water Funds, FY19 capital funds (H.519), the additional \$11,112,944 of FY19 capital funds (H519, Section 11 (f)(4)), and general funds as part of the Appropriations Bill:

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Table 1: Summary of SFY2018-2019 Clean Water Appropriations

The following tables present a final proposal for distributing the FY19 Clean Water Fund revenues and Capital Funds, highlighted in yellow.

	Column A	Column B	Column C	Column D	Column E
	Baseline (2-year total)	As Passed House & Senate (5/5/2017)			Filling Gap = D-A (2-year total)
		FY18	FY19	FY18 & FY19	
Capital Bill, H.519 Section 11: Clean Water Investments					
(a)(1) & (e)(1) AAFM BMP & CREP	\$3,800,000	\$3,450,000	\$2,000,000	\$5,450,000	\$1,650,000
(a)(2) AAFM Water Quality Grants & Contracts	\$-	\$600,000	\$-	\$600,000	\$600,000
(b)(1)&(f)(1) DEC Clean Water State Revolving Fund (SRF)	\$2,400,000	\$1,000,000	\$1,200,000	\$2,200,000	\$(200,000)
(b)(2)&(f)(2) DEC Ecosystem Restoration Grants	\$7,460,000	\$6,000,000	\$5,000,000	\$11,000,000	\$3,540,000
(b)(3) DEC Municipal Pollution Control Grants (prior)	\$35,000	\$2,982,384	\$-	\$2,982,384	\$2,947,384
(b)(4)&(f)(3) DEC Municipal Pollution Control Grants (new)	\$3,306,500	\$2,704,232	\$1,407,268	\$4,111,500	\$805,000
(c) VTrans Municipal Mitigation Program	\$-	\$1,400,000	\$-	\$1,400,000	\$1,400,000
(d)(1) VHCB: water quality projects	\$3,750,000	\$2,800,000	\$2,750,000	\$5,550,000	\$1,800,000
(d)(2) VHCB: farm grants or fee purchase water quality projects	\$-	\$1,000,000	\$-	\$1,000,000	\$1,000,000
(f)(4) FY19 Statewide Clean Water Implementation	\$-	\$-	\$11,112,944	\$11,112,944	\$11,112,944
	\$20,751,500	\$21,936,616	\$23,470,212	\$45,406,828	\$24,655,328
Transportation Bill H.494					
State Highway Compliance	\$16,280,000	\$8,140,000	\$8,140,000	\$16,280,000	\$-*
Section 14: Transportation Alternatives (for stormwater)	\$2,200,000	\$2,200,000	\$2,200,000	\$4,400,000	\$2,200,000*
Section 8: Municipal Mitigation (for stormwater)	\$2,880,000	\$1,240,000	\$1,240,000	\$2,480,000	\$(400,000)*
Section 8: Municipal Mitigation, Federal Highway Administration(FHWA)	\$-	\$5,442,342	\$5,442,342	\$10,884,684	\$10,884,684*
	\$21,360,000	\$17,022,342	\$17,022,342	\$34,044,684	\$12,684,684
Appropriations Bill					
DEC Federal match pass through for DEC Clean Water SRF	\$20,000,000	\$10,000,000	\$10,000,000	\$20,000,000	\$-*
DF&W Watershed Grants Program	\$70,000	\$35,000	\$35,000	\$70,000	\$-*
AAFM Farm Agronomic Practices Program	\$300,000	\$150,000	\$150,000	\$300,000	\$-*
AAFM Water Quality Grants and Contracts	\$594,000	\$297,000	\$297,000	\$594,000	\$-*
AAFM Operational Funds	\$750,000	\$375,000	\$375,000	\$750,000	\$-*
Clean Water Fund	\$-	\$4,000,000	\$4,000,000	\$8,000,000	\$8,000,000
FY19 Capital Bill: Bond premium from sale of bonds	\$-	\$-	\$2,259,988	\$2,259,988	\$2,259,988*
GRAND TOTAL	\$63,825,500	\$53,815,958	\$57,609,542	\$111,425,500	\$47,600,000

* Rows 15-18, 22-26, 28: Appropriations for FY19 are projected.

Vermont's baseline annual spending on clean water projects is close to \$32 million, including more than \$15 million in federal funds.

In FY18, Vermont has appropriated \$54 million for clean water projects (state and federal funds).

In FY19, Vermont is projected to spend \$58 million on clean water efforts (state and federal funds).

Over 2 years, this represents an increase of \$48 million over baseline spending, or \$24 million average annual increase (state and federal funds).

Table 2: State Fiscal Year 2019 Recommendations – Agency of Agriculture, Food and Markets

#	Sector (Agency)	Funding Program	Activities	CWF	Capital in FY19 Budget Capital Bill, H519, Sec. 11	Capital, New Capital Bill, H519, Sec. 11 (f)(4)	Total
1	Agriculture (AAFM)	On-Farm Implementation Grants & Contracts	Farm water quality capital improvements, matching USDA funds in Lake Champlain Basin (LCB) and supporting priority projects outside of the LCB; Farm agronomic practices (FAP) that exceed existing state and USDA funding resources	\$760,000	\$2,000,000 (e)	\$1,615,000	\$4,375,000
2	Agriculture (AAFM)	Grants & Contracts	Incentives for farmers to implement phosphorus reduction practices above regulatory requirements, including riparian and wetland restoration programs; Technology or other infrastructure that facilitates nutrient management development, data management and record keeping on farms; Creation of a Research Farm to study water quality runoff impacts from farm management systems and conservation practices; Alternative phosphorus reduction strategies (e.g., grassed-based farms, phosphorus separation strategies); Support for farm acquisition in order to overlay a conservation easement to establish agricultural practices that reduce phosphorus loading; Support for the Agronomy and Conservation Assistance Program (ACAP) - contract to deliver agronomic (field-based) technical support to farmers statewide	\$535,000	--	--	\$535,000
2b	Agriculture (AAFM)	Operating ¹	Increased on farm oversight to enforce regulatory requirements, ensure all statewide investments on agricultural operations are on compliant farms, and meeting legal requirements for water quality	\$375,000	--	--	\$375,000
SUBTOTAL (FY19) =				\$1,670,000	\$2,000,000	\$1,615,000	\$5,285,000

¹ The Clean Water Fund supported this allocation for three years. This allocation is to ensure support while AAFM seeks alternative funds.

Table 3: State Fiscal Year 2019 Recommendations – Agency of Natural Resources

#	Sector (Agency)	Funding Program	Activities	CWF	Capital in FY19 Budget Capital Bill, H519, Sec. 11	Capital, New Capital Bill, H519, Sec. 11 (f)(4)	Total
3	All Sectors (ANR)	Ecosystem Restoration Grants & Contracts	Partner support for project implementation involving delivery of technical and implementation services for projects that are identified and prioritized in Tactical Basin Plans, TMDLs, Act 64 and 2016 Combined Sewer Overflow Policy	\$630,000	--	--	\$630,000
4	All Sectors (ANR)	Ecosystem Restoration Grants & Contracts	Improved water quality monitoring, mapping and tracking to evaluate effectiveness of implementation, including the use of watershed associations and the LaRosa Partnership	\$200,000	--	--	\$200,000
5	All Sectors (ANR)	Ecosystem Restoration Grants & Contracts	Investments in innovative technologies, practices or policies that facilitate, optimize or accelerate cost-effective nutrient removal strategies	\$200,000	--	--	\$200,000
6	All Sectors (ANR)	Ecosystem Restoration Grants & Contracts	Stormwater planning/implementation: (a) project identification & planning (b) assistance in developing stormwater utilities; (c) construction; (d) capital equipment assistance; (e) pilot block grant program to support construction of clean water improvement projects	\$300,000	\$3,600,000 (f)(2)	\$1,000,000	\$4,900,000 ²

² Stormwater projects located within a Municipal Separate Storm Sewer System (MS4) community require 50% match. Road-related clean water projects require 20% match (cash or in-kind). All other projects are incentivized to provide match at this time. See Ecosystem Restoration Grant Application Manual: http://dec.vermont.gov/sites/dec/files/wsm/erp/docs/Application_Manual.pdf.

Table 3 (Continued): State Fiscal Year 2019 Recommendations – Agency of Natural Resources

#	Sector (Agency)	Funding Program	Activities	CWF	Capital in FY19 Budget Capital Bill, H519, Sec. 11	Capital, New Capital Bill, H519, Sec. 11 (f)(4)	Total
7	Stormwater Controls (ANR)	Ecosystem Restoration Grants & Contracts	Municipal Roads Grants-In-Aid Pilot Project to help municipalities comply with the Municipal Roads General permit (MRGP)	--	\$900,000 (f)(2)	\$2,097,944	\$2,997,944
8	Natural Resources (ANR)	Ecosystem Restoration Grants & Contracts	Flood resilience/Water Quality and Forest Health Projects, targeting restoration of wetlands, river corridors, floodplains, riparian areas and forest health projects, e.g.: (a) improvements in resilience and water quality; (b) restoration of unstable stream channels to natural stability (equilibrium conditions); (d) urban forestry water quality projects; and (e) trainings in compliance with logging practices that protect water quality	\$200,000	\$450,000 (f)(2)	\$300,000	\$950,000
9	Natural Resources (ANR)	Forest, Parks and Recreation Grants & Contracts	Portable skidder bridges for water quality improvements at logging areas per: H.495 Section 15	--	\$50,000 (f)(2)	--	\$50,000
10	Wastewater (ANR)	DEC- Grants & Contracts	Municipal assistance in optimization, asset management and other improvements related to TMDL implementation	\$100,000	--	--	\$100,000
11	Wastewater (ANR)	DEC- Grants & Contracts	DEC Clean Water State Revolving Fund (SRF)	--	\$1,200,000 (f)(1)		\$1,200,000
12	Wastewater (ANR)	DEC- Grants & Contracts	DEC Municipal Pollution Control Grants (new projects)	--	\$1,407,268 (f)(3)	\$2,500,000	\$3,907,268
SUBTOTAL (FY19) =				\$1,630,000	\$7,607,268	\$5,897,944	\$15,135,212

Table 4: State Fiscal Year 2019 Recommendations – Agency of Transportation

#	Sector (Agency)	Funding Program	Activities	CWF	Capital in FY19 Budget Capital Bill, H519, Sec. 11	Capital, New Capital Bill, H519, Sec. 11 (f)(4)	Total
13	Municipal Roads (VTrans)	Municipal Mitigation Assistance Program	Inventory, prioritization and implementation to address municipal gravel and non-gravel road-related stormwater mitigation projects, in compliance with state road general permit, and including replacement of undersized culverts	--	--	\$1,400,000	\$1,400,000
14	Municipal Roads (VTrans)	Municipal Mitigation Assistance Program	Funding to be used in conjunction with federal-aid funds to treat comingled stormwater from both highway and other sources	--	--	\$1,000,000	\$1,000,000
SUBTOTAL (FY19) =				--	--	\$2,400,000	\$2,400,000

Table 5: State Fiscal Year 2019 Recommendations – Agency of Administration

#	Sector (Agency)	Funding Program	Activities	CWF	Capital in FY19 Budget Capital Bill, H519, Sec. 11	Capital, New Capital Bill, H519, Sec. 11 (f)(4)	Total
15	Agency of Administration		Stormwater payments to municipalities with stormwater utilities (\$25,000 per municipality with a stormwater utility Per: 10 V.S.A. 1389 (e)(1)(H))	\$100,000	--	--	\$100,000
SUBTOTAL (FY19) =				\$100,000	--	--	\$100,000

Table 6: State Fiscal Year 2019 Recommendations – Agency of Commerce and Community Development (ACCD)							
#	Sector (Agency)	Funding Program	Activities	CWF	Capital in FY19 Budget Capital Bill, H519, Sec. 11	Capital, New Capital Bill, H519, Sec. 11 (f)(4)	Total
16	ACCD	Better Connections (in Coordination with ANR and VTrans)	Pilot funding for municipalities to incorporate stormwater management strategies into a comprehensive transportation, land use and economic development action plans.	\$100,000	--	--	\$100,000
17	ACCD	Downtown Transportation Fund (in Coordination with ANR and VTrans)	Pilot funding for capital improvements within or serving a designated downtown to incorporate stormwater management BMPs into the corresponding transportation (streetscape) improvements.	--	--	\$200,000	\$200,000
SUBTOTAL (FY19) =				\$100,000	--	\$200,000	\$300,000

Table 7: State Fiscal Year 2019 Recommendations – Vermont Housing and Conservation Board (VHCB)							
#	Sector (Agency)	Funding Program	Activities	CWF	Capital in FY19 Budget Capital Bill, H519, Sec. 11	Capital, New Capital Bill, H519, Sec. 11 (f)(4)	Total
18	VHCB	Clean Water Conservation and Farm Improvements	Water quality improvement projects, conservation projects and easements	--	\$2,750,000	\$1,000,000	\$3,750,000
SUBTOTAL (FY19) =				--	\$2,750,000	\$1,000,000	\$3,750,000

Table 8: Recommendations for FY19 Clean Water Funding By Sector*	CWF	Capital in FY19 Budget Capital Bill, H519, Sec. 11	Capital, New Capital Bill, H519, Sec. 11 (f)(4)	Total
Agriculture	\$1,670,000	\$2,000,000	\$2,050,000	\$5,285,000
Stormwater Management – Non-Road Developed Lands	\$500,000	\$3,600,000	\$1,200,000	\$5,300,000
Stormwater Management – Transportation/Road Related	--	\$900,000	\$4,497,944	\$5,397,944
Municipal Wastewater	\$100,000	\$2,607,268	\$2,500,000	\$5,207,268
Natural Resources Restoration	\$200,000	\$500,000	\$300,000	\$1,000,000
Clean Water Land Conservation	--	\$2,750,000	\$1,000,000	\$3,750,000
All Sectors Support	\$1,030,000	--	--	\$1,030,000
Contingency Reserve*	\$500,000	--	--	\$500,000
TOTAL	\$4,000,000	\$12,357,268	\$11,112,944	\$27,470,212

Table 9: Recommendations for FY19 CWF By Administering Agency*	CWF	Capital in FY19 Budget Capital Bill, H519, Sec. 11	Capital, New Capital Bill, H519, Sec. 11 (f)(4)	Total
Agency of Agriculture	\$1,670,000	\$2,000,000	\$1,615,000	\$5,285,000
Agency of Natural Resources – Ecosystem Restoration	\$1,530,000	\$5,000,000	\$3,397,944	\$9,927,944
Agency of Natural Resources – Municipal Wastewater, CSO Controls	\$100,000	\$2,607,268	\$2,500,000	\$5,207,268
Agency of Commerce and Community Development	\$100,000	--	\$200,000	\$300,000
Agency of Transportation	--	--	\$2,400,000	\$2,400,000
Agency of Administration	\$100,000	--	--	\$100,000
Vermont Housing and Conservation Board	--	\$2,750,000	\$1,000,000	\$3,750,000
Contingency Reserve*	\$500,000	--	--	\$500,000
	\$4,000,000	\$12,357,268	\$11,112,944	\$27,470,212

* A contingency reserve avoids the risk of spending more funds than are available in the fiscal year.

The FY2019 Clean Water Appropriations Budget includes a \$2.3 million allocation from the Bond premium that was the result of the state sale of general obligation bonds. Table 10 below identifies final recommendations for use of these funds:

#	Agency	Project	Description	Amount
1	ANR	Aeration System at Lake Carmi	The state recently announced a suite of projects designed to restore and protect Lake Carmi in Franklin, Vermont. The lake is impaired by excessive phosphorus pollutant loading, which is contributing to the frequency of harmful algae blooms. The suite of projects includes an aeration system. Aeration involves injecting air, mechanical mixing or agitating water to improve water quality by increasing the level and circulation of oxygen. ANR is already committed to developing the engineering design for a pilot aeration project as well as other nutrient pollutant reduction projects. The project involves completing an aeration system for the lake.	\$200,000
2	ANR	Augmentation of Natural Resource Restoration for TMDL Compliance	This project increases funds to target natural resource restoration projects that reduce nutrient and sediment pollution. The increase in funding helps the state meet the natural resources restoration portion of the Lake Champlain restoration plan, referred to as the phosphorus TMDL and other federal and state directives. The focus is to target those floodplain and river corridor projects that will also maximize benefits including flood resilience, public safety and habitat improvement.	\$259,988
3	ANR	Recovering Phosphorus from Waste	Engineering feasibility project to recover phosphorus from municipal waste streams, animal manure and food and food-processing waste using anaerobic digestion	\$100,000
4	AAFMM	Phosphorus Extraction Equipment at Dairy Farms	Methane anaerobic digestion is a technology that produces energy by converting manure into methane. A byproduct of methane digestion is phosphorus-containing material. This pilot will use innovative phosphorus extraction technology to remove phosphorus from the byproduct material, to be used for other purposes. The pilot project will purchase phosphorus extraction equipment for use at: (a) 2-3 farms that operate manure to methane digesters; (b) 2-3 farms that separate manure into solids and liquid portions for other uses. The equipment is estimated at \$300,000 to \$450,000 per farm with a manure to methane digester and/or manure separators. VT has 15 farms with manure to methane digesters and 10 additional farms with separators. Includes funds for post-extraction marketing plan.	\$1.6M
5	ANR	Expansion of the Municipal Roads Grants in Aid Pilot Project	This project proposes to increase second year funding for the Municipal Roads Grants-In-Aid Project, a pilot initiative that was launched in 2018 to provide funding directly to participating municipalities (via the regional planning commissions) to implement Best Management Practices (BMPs) on municipal roads, ahead of the state Municipal Road General Permit (MRGP). Road runoff, in addition to agricultural sources, is a significant source of water pollution. Road-related projects are among the most phosphorus-reducing and cost-effective actions to implement. The pilot project provides an opportunity for municipalities to become more familiar with the practices necessary to comply with the MRGP. The practices being supported by this pilot project should also improve local resilience to large storm events and will help save municipalities money in the long run in operations and maintenance costs. There was strong interest in the first year of this pilot project, with 186 municipalities enrolled (75% of eligible municipalities), and an estimated 29 road-miles meeting MRGP compliance.	\$100,000

Acronyms

AAFM: Vermont Agency of Agriculture, Food and Markets

ACAP: Vermont DEC's Agronomy and Conservation Assistance Program, a program that provides support to partners in the delivery of agronomic (soil and nutrient management) assistance to farmers

ACCD: Vermont Agency of Commerce and Community Development

ANR: Agency of Natural Resources

BMP: Best Management Practices, activities to address water quality impacts from land-based sources that are the result of precipitation-driven runoff and erosion.

CWF: State of Vermont Clean Water Fund

DEC: Vermont Department of Environmental Conservation, a department under ANR

FAP: Farm Agronomic Practices, a set of practices for farmers to employ to minimize losses of soil, nutrients and agricultural waste from runoff and erosion to enhance soil health

FED: Vermont DEC's Facilities Engineering Division

LCB: Lake Champlain Basin. Vermont's portion of the LCB represents approximately half the land mass of Vermont

LiDAR: Standing for "Light Detection And Ranging," is a state-of-the-art mapping technology that produces high resolution maps as baseline information to aid in identifying priority water quality needs. Other applications include flood and erosion hazard mapping, landslide hazard mapping and transportation project support

LCBP: Lake Champlain Basin Program

Stormwater Utilities: is a system adopted by a municipality or group of municipalities under 24 V.S.A. chapter 97, 101 or 105 for the management of stormwater runoff.

TMDL: Total Maximum Daily Load; a pollution budget that establishes the maximum amount of a pollutant a waterbody can receive from many different sources of that pollutant while still meeting water quality standards. Federal Water Pollution Control Act of 1972, 33 U.S.C. Section 1251 et seq., Section 303(d)

USDA: United States Department of Agriculture, which, as part of the federal Farm Bill, offers a number of conservation programs to protect water quality and improve soil health

VTrans: Vermont Transportation Agency