

MEMORANDUM

TO: Jim Leland, ARM Division Director
FROM: Jeffrey B. Cook, Financial Manager I
DATE: March 10, 2017
SUBJECT: Capital Construction Funding Summary

Below is a summary of the capital construction accounts for the Agricultural Resource Management Division at the Agency of Agriculture (Agency) through March 10, 2017. These funds provide financial assistance for the Best Management Practice (BMP) Cost Share Program, Conservation Reserve Enhancement Program (CREP), Capital Equipment Assistance Program (CEAP), and other non-traditional capital improvement projects.

Department ID	Unspent Funds As Of 07/01/16	Encumbered/ Expended Thru 03/10/17	Funding Remaining	Financial Obligations	Funding Not Obligated
2200991102	\$116,363.45	\$116,363.45	\$0.00	\$0.00	\$0.00
2200991202	\$397,623.46	\$397,623.46	\$0.00	\$0.00	\$0.00
2200991402	\$741,544.62	\$385,994.36	\$355,550.26	\$2,020.97	\$353,529.29
2200991502	\$1,653,318.15	\$107,374.36	\$1,545,943.79	\$1,243,364.19	\$302,579.60
2200991504	\$248,742.00	\$12,013.93	\$236,728.07	\$236,728.07	\$0.00
2200991602	\$1,783,608.00	\$20,721.18	\$1,762,886.82	\$893,760.15	\$869,126.67
Totals	\$4,941,199.68	\$1,040,090.74	\$3,901,108.94	\$2,375,873.38	\$1,525,235.56

These capital fund obligations represent 217 projects in 75 grants and contracts on farms statewide. In addition, this division is responsible for tracking over \$2 million in 80 non-capital grants and contracts.

The Agency has expended the balances from the oldest two accounts. Payments have been requested which will expend the remaining financial obligations from the 2200991402 account within 30 days. Typically, the Agency expends between \$1.0 and \$1.8 million annually for these programs.

The table above shows \$1,525,235.56 in funding as unobligated. Of these funds, \$292,248.45 have been 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. As of this date, the Agency has submitted payment requests to expend an additional \$1,307.25 from this figure.

The unobligated balance in the 2200991402 account (\$353,529.29) is targeted for return to Buildings & General Services (BGS). In past years, the Agency has returned \$605,241.68 in capital construction funds to BGS 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).

In FY2016, the Legislature appropriated \$248,742.00 for use on special water quality projects and in agreements with partner organizations for farms in the northern Lake Champlain Basin to implement non-traditional projects not covered under the BMP program. The Agency has obligated these funds through contract agreements with the Farmer's Watershed Alliance, Friends of Northern Lake Champlain and the Vermont Association of Conservation Districts. As of this date, the Agency has submitted payment requests to expend an additional \$10,480.64 from this account.

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. BMP dollars are also used to pay for engineering services provided to farmers for approved projects which cannot be handled by Agency staff. 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.

As directed by statute, BMP dollars augment federally funded projects through USDA's Environmental Quality Incentives Program (EQIP) contracts providing farmers additional cost share dollars making implementation of their projects more feasible financially. The Agency is in the process of allocating funds associated with EQIP and will continue as information becomes available from USDA.

The remaining funds (approximately \$880,000) will be obligated to farmers enrolled in EQIP or state-only grants by April 2017. The Agency currently has applications from over 70 farmers interested in installing various BMP's on their farms. These farmers are working with our engineering staff to determine whether the projects will move forward with state funding. These projects could equate to between \$700,000 and \$3,000,000 in state capital funds if grants are awarded.

The Agency has requested \$1.8 million and \$2.0 million respectively in the Fiscal Year 2018 and 2019 Capital Construction Budget Bill. The funding level is based on increased efforts by Agency staff to target small farms needing improvements and additional funding for EQIP. USDA has targeted \$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 anticipates a significant increase in BMP dollar requests and implementation forthcoming from many factors. A few are listed below:

- The implementation of the new Required Agricultural Practices rules in December. Many small farms will need financial assistance to comply with these regulations.
- The adoption of a new policy which increases the maximum cost share rate and amount of cost share dollars available to farms, especially to farms enrolled in the federal EQIP program.
- Increased enforcement efforts by the Agency
- The execution of the Phase I Implementation Plan for the Lake Champlain Total Maximum Daily Load (TMDL).