

Clean Water Funding Policy Positions
House Committee on Natural Resources, Fish, and Wildlife
By Charlie Baker, Executive Director
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 the CCRPC Board on January 17, 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 \$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].
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. **Governance Accountability.** The statewide utility/authority/district should be created as a governmental body answerable to the Legislature with representation from state agencies and municipalities on the governing body. At least two or three municipal representatives providing geographical and urban/rural diversity should be included on the governing body .
9. **Management.** Funds should be raised in a statewide system with billing, parcel (GIS and impervious) analysis, and consistent determinations regarding billing, trading, credits, and enforcement decisions made at this level. Some capped percentage of the funding should be kept at the state level for administration. 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. **Provide Credits.** Any statewide fee levied for the purpose of water quality should not reduce existing funding of municipal stormwater programs/utilities. A statewide fee should provide for a system of credits for those property owners that already pay stormwater fees.
11. **Statewide collection.** We believe that the parcel fee should be collected at the state level. This could build upon state efforts to develop statewide parcel mapping (and maybe impervious layer if that is needed).
12. **Not municipal collection.** Requiring municipalities to collect these funds is problematic because:
 - a. Any municipality that does not already have a stormwater utility/program would have to develop a new water quality fee collection system for all properties including tax exempt properties, separate from tax bills.

- b. Property owners will not be able to distinguish the state fee from locally imposed taxes. Municipalities are clearly opposed to adding additional costs to the property taxes.
- c. There will be a new cost burden imposed on every municipality to collect and enforce this fee.

13. **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.

14. **If Municipal Collection.** There needs to be State support in:

- a. Educating property owners,
- b. Improving the technology systems,
- c. Enforcement for non-payment,
- d. Providing for an appropriate percentage of the revenue to cover costs. (The current .225% will only provide \$90 for every \$40,000 collected.) and
- e. Providing an option for municipalities to add additional amounts to the fee to provide local funding.

If the fee system moves to an impervious-based system, the collection must be done by the state entity that is administering the program including the credits. Municipalities cannot be expected to respond to the set of issues that will arise in this scenario.