

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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S.260 An act relating to funding the cleanup of State waters – House Natural Resources, Fish, And Wildlife Recommendation of Amendment – Draft 2.1

Bill Summary

This proposal of amendment would establish a clean water working group, it would establish a water quality occupancy surcharge of \$2 per night with proceeds directed to the Clean Water Fund. The proposal would make changes to statute for the Clean Water Fund Board and would direct Secretaries of three state agencies to coordinate awards of water quality grants and financing, and encourage more funding to be issued as block grants. The proposal would create a process for designating a lake in crisis and establish means for a state government response. Finally, the proposal would direct the Agency of Agriculture to report to the General Assembly on how farming practices could be revised to mitigate environmental impacts.

Fiscal Summary

Sec. 2 Clean Water working group

The proposed amendment would establish a working group to recommend a long-term funding method for water quality improvements in the State. The group would be made up of ten individuals, three of whom would be state agency heads and the other seven from outside of state government. If the group met eight times, the **cost would be approximately \$7,000** for mileage and per diems. This would be paid for from the Agency of Administration budget in FY19.

Sec. 3-5 Occupancy Surcharge

The proposed amendment would establish a water quality occupancy surcharge of \$2 per night on lodging stays in Vermont. The surcharge would go into effect on January 1, 2020 and revenue would go to the Clean Water Fund (CWF).

	<u>FY2020</u>	<u>FY 2021</u>
Estimated CWF revenues¹	\$2.7 million²	\$ 7.1 million

Any expenditures of the new Clean Water Fund dollars would be built into a proposed spending plan from the Clean Water Fund Board and subsequently incorporated into the Governor's budget proposal for FY2020 (to be presented during the 2019 legislative session). The cost to administer the new surcharge would be approximately \$25,000³ and be one-time in nature. This

¹ Based on 5-year consensus revenue forecast data and an estimated 3.5 million room bookings per year in Vermont.

² Occupancy surcharge receipts in FY20 are adjusted from full year collections in two ways: 1) approximately 46% of rooms taxes are typically collected in the 2nd half of a fiscal year, and 2) only five months of occupancy surcharges would actually be received by the State in FY20 (Jan.-May).

³ This cost range was provided by the Tax Department. There would be some additional audit complexity due to the surcharge that could be addressed with an additional FTE but Tax will not request an FTE at this time.

cost would be borne by the Tax Dept. to update its meals and rooms tax licensing and reporting system. The cost would likely be incurred in FY20. The Tax Dept. is primarily funded through General Fund dollars and this issue would need to be addressed in the FY20 budget.