



**House Ways and Means Committee
Clean Water Memo from House Natural Resources**

March 2, 2017

Thank you for the opportunity to testify on the memo and draft water quality funding bill from the House Natural Resources Committee. On Tuesday, we thanked that committee for recognizing that there must be new dollars in the form of grant and not loans, invested in clean up efforts that are mandated by Act 64, the Vermont Clean Water Act.

Our members have been discussing how much complying with Act 64 and the Lake Champlain Total Maximum Daily Load (TMDL) will cost since before that particular legislation began to be developed. We participated in the Treasurer's stakeholder groups to recommend funding sources and strategies since the very first meeting.

Based upon the extensive experience of cities and towns with managing wastewater infrastructure, we anticipate that the Treasurer's estimate that we will need \$2.3 billion over twenty years to implement Act 64 and the Lake Champlain TMDL, is low. While a number of projects are in the queue, planning, scoping and engineering to prepare to undertake other projects can't really happen until watershed basin plans, the Agency of Natural Resources and municipal road inventories establish the kinds of projects required and the priority in which they will need to be implemented.

We know that the Treasurer's estimates do not include costs for operations and maintenance of new or upgraded infrastructure. By way of example, Colchester estimates that their total needs for water quality remediation are \$60 million – five times that town's estimated annual budget. I have attached a letter to that effect with this testimony. We also note that the Treasurer's Report counts loans as funding sources. Loans must be repaid by ratepayers and municipal taxpayers. We strongly support the notion that grants are needed to incentivize work and that those grants need to be flexible in order for municipalities to prioritize projects at the local level so as to get the best bang for the buck in terms of clean water.

We believe that including modest fee or tax increases from a broader range of revenue sources will be effective in assuring that not only Vermonters but also visitors to the state pay something toward cleaning up the waters of the state. Clearly visitors as well as in-state residents and businesses enjoy the many benefits of clean water in this state.

Having said that, municipalities that use local option rooms, meals or alcohol taxes, including the Mayor's Coalition, are concerned about picking and choosing amongst taxes without addressing Vermont's tax system in a comprehensive manner as was recommended by the Blue Ribbon Tax Commission. We support taxes or fee increases if the new revenue derived therefrom is directed to the Clean Water Fund and if there are protections against those dollars being diverted to the General Fund or other special purposes.

We note that Act 64 established 13 ANR water quality positions and funds them through increased and expanded fees on water-related permits and certifications. You may find those fee increases and expansions, which took effect July 1, 2015, in Section 44 of Act 64 as signed by the Governor. Similarly, eight new AAFM water quality positions are established and funded, in part, from new or increased agricultural water quality fees. Some of those expansions and increases resulted in significant new bills to cities and towns. It would be helpful to know how much has been raised by those increases and how the revenues have been used to date.

We support the House Natural Resources Committee's proposal to create a working group to develop recommendations for assessing and administering an impervious surface fee that is administered by the state, is assessed on every owner or user of impervious surfaces and may in no way resemble a property tax. We recommend that there be an appropriation to support the technical work that would be required to design an impervious surface fee. Those towns and cities with stormwater utility fees in place now took at least two years to develop their fee systems.

We note, as we have before, that if there are not new dollars dedicated to scoping, engineering, building and maintaining projects designed to reduce stormwater and phosphorus flows to the waters of the state, the burden falls on an already severely overburdened property tax. At some point work will simply not be completed.

Thank you for the opportunity to testify.

Karen Horn, Director

Public Policy & Advocacy