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Agency of Agriculture Food & Markets

TO: Senate Institutions Committee
FROM: Diane Bothfeld, Director of Administrative Services IV, Agency of Agriculture, Food and Markets
Diane Bothfeld
REASON: Capital Adjustment FY20
DATE: February 12, 2020

This memo serves as further explanation of the FY20-FY21 Capital Budget for the Agency of Agriculture, Food and Markets. The Agency is not proposing any adjustment to any capital funding due to the fact that the majority of the funding has been obligated through grant agreements or will be obligated in FY20 through RFP processes and other distribution methods.

The capital funds within the Ag Development Division of the Agency are as follows:

Dept. ID	Description	fund	Unexpended funds as of 1/22/20
2200991801	Ag Fairs Cap Project Grant	31200	\$ 40,334.34
2200991901	Ag Fairs Cap Project Grant	31200	\$ 197,529.00
2200991903	Produce Safety Infrastructure Grant	31200	\$ 98,765.00

Ag Fairs Capital Project Grant

FY19 - \$40,333.34 is an outstanding balance (as of January 2020).

- \$21,878.97 is obligated in existing agreements not yet invoiced for by fairs. Will be expensed before end of FY20.
- \$18,454.37 unobligated to be rolled into FY20 grant round (in addition to \$197,529).

FY20 \$197,529 will be obligated in FY20 by March 15, 2020.

- FY20 applications have been received and reviewed. The review committee requested changes to two applications, which are in process. Once the changes have been received and reviewed by the committee, all grant agreements will then be formalized.

Produce Safety Infrastructure Grants

FY20 - \$98,765.00 allocation. This will be obligated and spent.

- All FY20 allocation will be awarded to Round 4 PSIG recipients in March 2020
- Approximately \$128,000 in applications and 16-18 grantees will be awarded



Below is a summary of the capital construction accounts for the Water Quality Division at the Agency of Agriculture (Agency) through January 22, 2020. These funds provide financial assistance for the Best Management Practice (BMP) Cost Share Program, Conservation Reserve Enhancement Program (CREP), the Capital Equipment Assistance Program (CEAP), and the Agricultural Clean Water Initiative Program (CWIP).

Department ID	Unspent Funds as of 7/1/2019	Encumbered/Expended through 1/22/20	Funding Remaining	Financial Obligations	Funding not Obligated
2200991702 (BMP)	\$912,084.72	\$863,600.37	\$48,484.35	\$48,484.35	\$0.00
2200991802 (BMP)	\$2,707,117.40	\$1,182,409.93	\$1,524,707.47	\$1,524,707.47	\$0.00
2200991902 (BMP)	\$3,407,378.00	\$368,972.87	\$3,038,405.13	\$2,907,100.53	\$131,304.60
Totals - BMP	\$7,026,580.12	\$2,414,983.17	\$4,611,596.95	\$4,480,292.35	\$131,304.60
2200991703 (CWF)	\$387,716.24	\$256,879.76	\$130,836.48	\$130,836.48	\$0.00
2200991803 (P Eq)	\$1,192,690.00	\$63,100.00	\$1,129,590.00	\$678,200.00	\$451,390.00
Totals All	\$8,606,986.36	\$2,734,962.93	\$5,872,023.43	\$5,289,328.83	\$582,694.60

These obligations represent 178 projects in 68 grants and contracts on farms statewide. Typically, the Agency expends between \$1.0 and \$1.8 million annually for these programs. In the last two fiscal years, increased funding resulted in capital expenditures of \$3.16 million in FY 2018 and \$3.69 million in FY 2019. In addition, this division currently tracks over \$7.04 million in 206 non-capital grants and contracts. The table above shows \$582,694.60 in funding as unobligated. The Agency anticipates obligating these capital funds this fiscal year. Below is a breakdown of the various programs utilizing these funds.

The BMP program helps 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. These funds also pay for external 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.

BMP dollars also 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 financially feasible. The Agency allocates funds associated with EQIP year-round and will continue as information becomes available from USDA.

In FY 2019, the Agency received 98 BMP applications and has received 56 applications thus far in FY 2020. Engineering personnel continue to contact applicants, evaluate their needs, and rank projects for potential financial assistance. Funding requests have been increasing annually in this program.

Contributing factors are:

- Implementation of the Required Agricultural Practices rules. Many small farms need financial assistance to comply with these regulations.
- Increased enforcement efforts by the Agency.
- Increased funding caps in the program, especially for farms enrolled in the federal EQIP program.
- Execution of the Phase I Implementation Plan for the Lake Champlain Total Maximum Daily Load (TMDL).

CREP works in conjunction with the United States Department of Agriculture (USDA) and establishes buffers along Vermont's waterways. 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.

CEAP helps offset costs of new or innovative equipment to aid in the reduction of surface runoff of agricultural wastes to state waters, reduce odors from manure application, separate phosphorus from manure, decrease greenhouse gas emissions, and reduce costs to farmers when they apply manure. Examples of such practices are no-till corn planters, manure application record keeping units, drag line manure systems, and phosphorus removal technology or equipment projects. The Agency is currently accepting CEAP applications and will evaluate them in November. Last year, over \$2.7 million was requested for CEAP resulting in grant agreements totaling over \$1.1 million.

The Agency received an allocation of Clean Water Fund capital dollars for on-farm implementation in FY 2018. These funds have been awarded through grants and contracts.

In FY 2019, a capital allocation of \$1,397,590.00 was earmarked by the Legislature for phosphorus removal equipment. This funding was used to fund the Governor's Vermont Phosphorus Innovation Challenge (VPIC) and an Innovative Phosphorus Extraction and Separation CEAP funding round. Two applications were awarded funding through this round of CEAP, totaling \$376,000.00 of obligated monies.

VPIC has progressed in multiple stages, Stage Two included grants to six awardees totaling \$240,000.00 of expended monies. Stage Three of VPIC involves five awardees in various stages of funding allocation. The award amount for these five grants in Stage Three totals over \$1,000,000.00, which will use up the remaining balance of the initial FY 2019 capital allocation of \$451,390.00. The ongoing VPIC projects offer varying solutions for reducing phosphorus loading to Vermont's landscape and waterways by harnessing opportunities that innovative technologies and developing markets may offer. To date, \$330,200.00 of the remaining balance has been obligated, the remaining monies are currently in a drafted grant form, with anticipated obligation occurring by the end of February 2020.