

Vermont Agency of Natural Resources

Infrastructure Investment and Jobs Act of 2021

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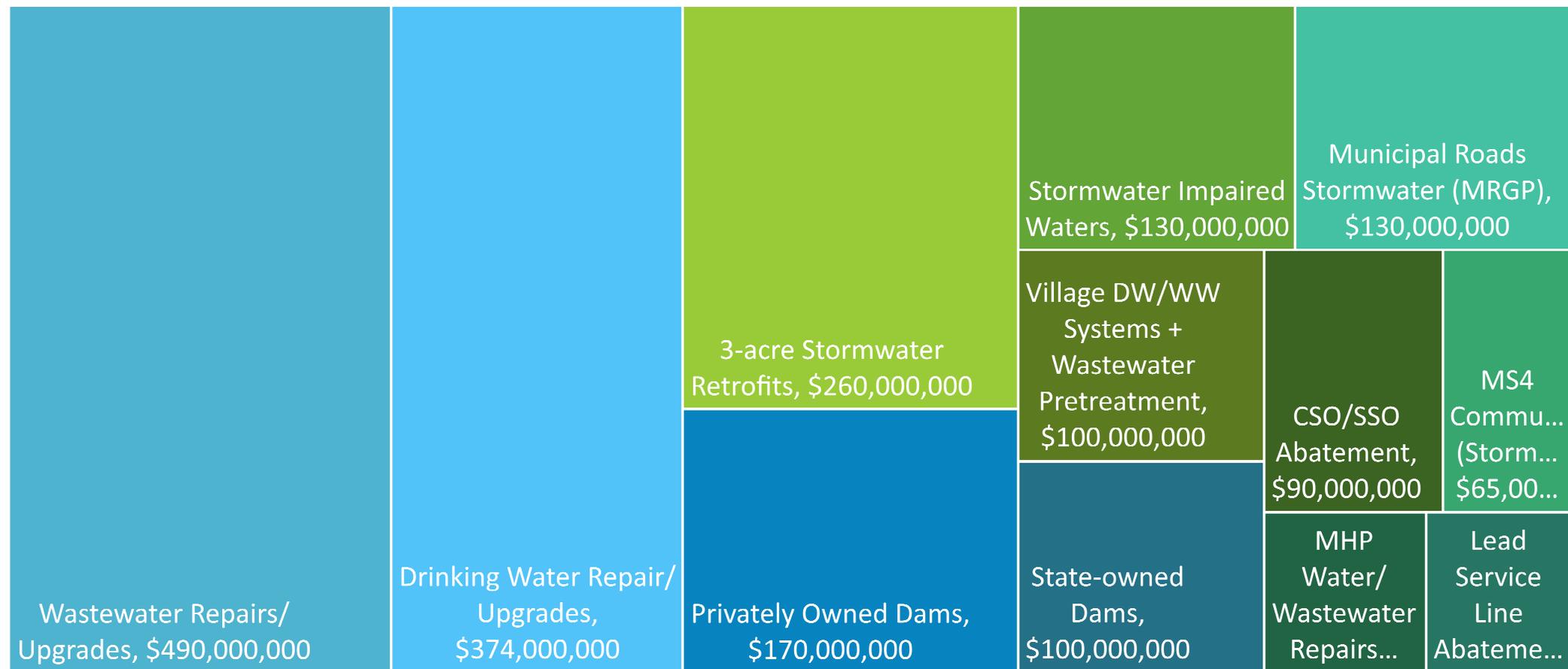
What is the Infrastructure Investment Jobs Act (IIJA) of 2021?

- This is a 2,702-page bill totaling \$555 billion
 - About \$2 billion will come to Vermont
- Reauthorizes and fully funds many existing, major federal infrastructure initiatives
 - Water section of the IIJA came largely from the *Drinking Water and Wastewater Infrastructure Act* which overwhelmingly pass the Senate in April 2021

What is the Infrastructure Investment Jobs Act of 2021?

Area	Amount (billions)
Transportation	\$312
Power infrastructure (grid)	\$73
Resiliency and cybersecurity	\$50
Broadband	\$65
Water/wastewater/stormwater	\$55
Environmental remediation	\$21

Water Infrastructure Universe of Need in Vermont = \$2 billion



On-going ARPA-Funded Water Infrastructure Initiatives

- Total of \$50m in FY22
- \$40m directed to six ANR-led initiatives:
 - Village Water & Sewer (\$8m)
 - Grants to village centers that current lack community-scale water and/or wastewater infrastructure
 - Sewer Overflow (\$10m)
 - Grants to accelerate elimination of sewer overflows
 - 3-acre Stormwater (\$10m, includes \$3.5m to VTrans)
 - Grants to property owners to enable compliance with state and federal requirements for stormwater management
 - Pretreatment (\$2m)
 - Grants for municipal facilities challenged to manage incoming commercial/industrial wastewater
 - Healthy Homes (\$5m)
 - Grants to low-income single family homeowners, owner-occupied multi-unit residential buildings and mobile home communities for failed (or failing) water or wastewater systems
 - Dam safety improvements at state-owned assets, (\$5m, GF)

On-going ARPA-Funded Water Infrastructure Initiatives, cont.

- \$10m sent to DEC for allocation by the Clean Water Board; Board recommended the following uses:
 - Agricultural BMPs (\$3.5m)
 - Stormwater management (\$3.5m)
 - Municipal (wastewater) pollution control grants (\$3m)
- FY22 budget also provided \$50m to ANR to be carried forward
 - \$20m (\$10m/year) for allocation by the Clean Water Board in FY23 and FY24
 - \$30m to continue/expand FY22 water initiatives
 - DEC required to “provide a project list as part of their annual budget request in FY 2023 and FY 2024”
- As of December 31, ANR anticipates deploying ~2/3 of its total FY22 ARPA appropriations, with all available FY22 funding committed by the end of Q1 2023

IIJA Water Infrastructure Investments – Annual Allocations

- Money will be received by Vermont over five years
 - Likely consistent with customary EPA award cycle, meaning funds would arrive annually in July or August
- About half of the funding is “normal” water infrastructure money that will flow into the State Revolving Loan Fund (SRF) programs. Estimating:
 - \$9.5M CWSRF this year, increasing to \$13M by 2026.
 - \$19M DWSRF this year, increasing to \$26M by 2026
- State match needed to draw down these annual allocations increases over time
 - 10% match for first two years; increases to 20% in years 3-5
 - **Additional match needed: \$2.7m in FFY22, \$3.3m in FFY23; \$7.2m in FFFY24; and \$7.8m in FFY25 and 26**
 - Vermont has traditionally relied on the Capital Bill to provide SRF match

IIJA Water Infrastructure Investments – Annual Allocations

- The allocation of the 49% allowable subsidy will need to follow EPA guidance (expected within next 8 weeks)
- DEC will solicit public comment on all proposed subsidy in developing its annual Intended Use Plan (IUP)
 - The IUP explains how the SRF will be used, including critical program details such as identifying priority project types and how subsidies will be allocated
 - Public comments on draft IUPs are accepted at a public hearing and in writing
- DEC anticipates publishing the draft IUP for FFY22 for comment in January/February 2022
 - Recently, DEC reopened portions of the FFY21 IUP for additional comment in order to address needs around ARPA

IIJA Water Infrastructure Investments – Annual Allocations

- In early 2021, President Biden established the Justice40 Initiative via executive order
 - Justice40 is a whole-of-government effort to deliver at least 40% of the overall benefits from Federal infrastructure investments to disadvantaged communities
 - Anticipate that EPA Guidance will direct 40% of SRF funding to disadvantaged communities in accordance with Environmental Justice Principles.
- Restructuring of prior debt incurred for eligible projects is likely to be an eligible activity under IIJA
 - Particularly important for smaller systems with ratepayer affordability concerns
 - With \$2B in need, will have to be carefully balanced against demand for funding for new projects

IIJA Water Infrastructure Investments – Supplemental Allocations

- Nationally, \$15 billion for lead service line replacement projects
 - Estimate Vermont will receive:
 - \$30M/yr for 5 years
 - No state match requirement, 49% subsidy on lead projects
- Nationally, \$10 billion for emerging contaminants (EC)
 - Funding anticipated to prioritize work related to PFAS
 - Estimate Vermont will receive:
 - \$500K CWSRF this year, increasing to \$1.125M by 2026
 - \$8M/yr DWSRF for 5 years
 - No state match requirement, 100% subsidy on all EC funds
 - For this next 5-year period, more federal money will be available for EC and lead service line replacement than other system needs combined!
 - Funding is available “until expended”

IIJA Water Infrastructure Investments – Supplemental Allocations

- Lake Champlain
 - \$8M/yr for 5 years for water quality projects
 - In addition to on-going annual appropriation thru EPA/Lake Champlain Basin Program to support TMDL implementation (~\$6M per year)
 - These funds may also support projects in New York

Environmental Remediation, General

- Vermont has an estimated \$355 million in site clean-up and remediation needs
- IIJA includes \$21 billion for “environmental remediation”
 - Hazardous Substance Superfund Remediation
 - Provides \$3.5 billion annually to the Superfund remedial account
 - Waives the state cost-share requirements
 - 12 Superfund sites currently on the National Priorities List (NPL) in Vermont
 - Competitive Brownfields Grants
 - Provides \$1.2 billion annually to the EPA's Brownfields program
 - There are more than 5,000 large and small brownfield properties in Vermont; at least one in almost every community

ARPA-Funded Climate Action Initiatives

- FY22 ARPA appropriations totaled \$55m
 - \$20m in weatherization (\$9m shifted to GF)
 - \$20m in clean energy (\$10m shifted to GF)
 - \$10m for land conservation (shifted to GF)
 - \$5m for hazard mitigation
- FY22 budget also identifies total intended ARPA investment in climate action of \$250m
 - Climate Council is drafting recommendations for consideration by Governor and General Assembly

IIJA Climate Action Investments

- Efficiency and building infrastructure
 - Authorizes numerous program to encourage and fund energy efficiency upgrades to buildings
 - Includes \$3.5 billion for the existing Weatherization Assistance Program
- Infrastructure resiliency
 - Includes \$3.5 billion for FEMA Flood Mitigation Assistance Program
 - \$500 million to help states establish revolving loan funds to support projects that reduce natural disaster risk
 - \$2.5 billion to Army Corps of Engineers for “for construction, replacement, rehabilitation, and expansion of inland waterways projects in the Corps Capital Investment Strategy”
 - Waterbury Dam?

Challenges

- Many unknowns and important details still need to be worked out
- IJIA expands domestic preference procurement requirements for SRF projects from American Iron and Steel to construction materials and manufactured products
- Distributing funds thru the SRF limits how much will be grants vs. loans
 - Vermont's smallest systems are often challenged to take on additional debt due to limited user base
- State required match for SRF is 20%
 - State match is reduced to 10% for the first two years, but return to 20% for years 3-5
 - Capital bill is relied on to provide state match
- Capacity of state, regional and local staff is finite, as is engineering/contractor capacity