

Vermont Agency of Natural Resources

FY23 Governor's Recommended Budget

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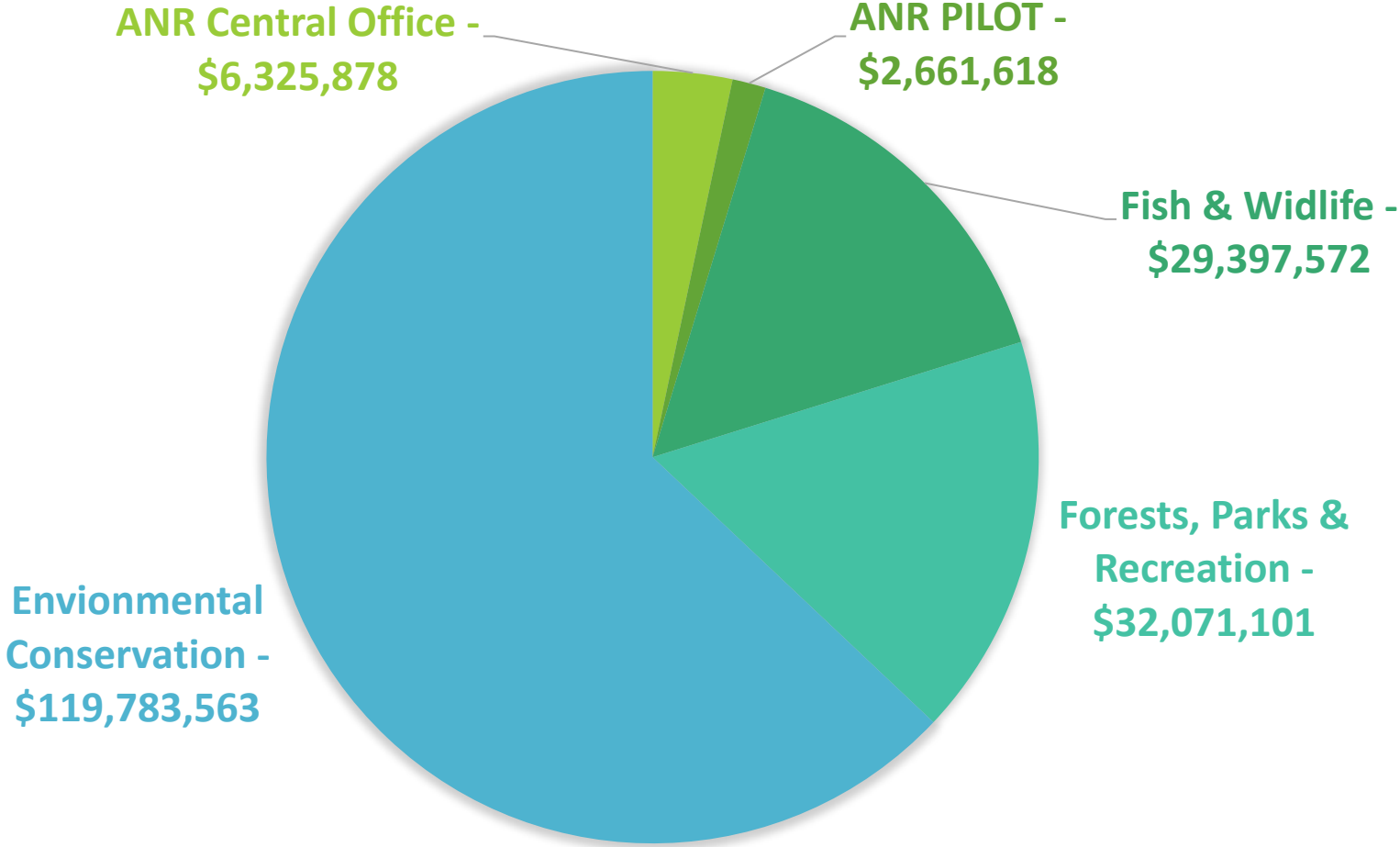
Agenda

- Top-line budget overview
- Position changes
- Base funding changes
- One-time allocations
 - General Fund
 - Capital Bill BAA
- ARPA
 - Water infrastructure
 - Climate action
- IIJA

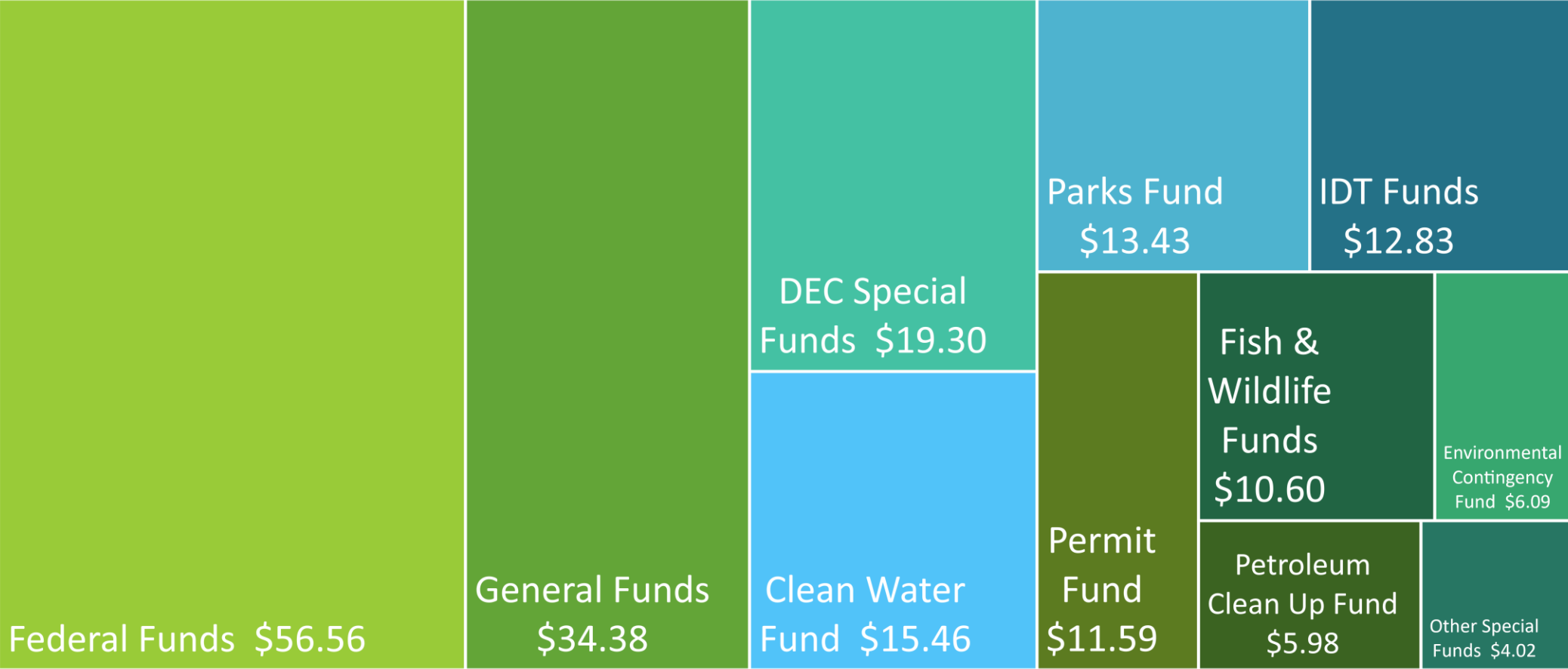
FY23 ANR Budget Overview

- Governor's FY23 Recommend: \$190.24 million
 - Increase of \$7.45 million (4.1%) above FY22
- Budget supports 600 full-time employees and ~400 seasonal workers
- Roughly 2/3s of the FY23 budget will be passed thru to municipalities, contractors, and partner organizations
- More than 80% (\$155.86 million) is special and federal funds
 - Budget fully utilizes projected revenue from special and federal funds, but these sources have not fully kept pace with inflation and growth in expenses
 - About 45% of the proposed increase in ANR's FY23 budget (\$3.3 million) is General Fund – a 10.7% increase in the Agency's GF allocation

FY23 Budget Overview – by Department



FY23 Budget Overview – by Fund (\$ millions)



FY23 ANR Budget – Position Changes

	FY22	FY23	Change	% of total	ARPA Limited-Service Positions
ANR CO	33	36	3	6.0%	2
F&W	144	144	0	24.0%	2
FPR	121	121	0	20.2%	
DEC	297	299	2	49.8%	24
Total Positions	595	600	5		28

FY23 ANR Budget – Position Changes

- Creates a Vermont Office of Climate Action
 - Adds three new positions, and provides on-going funding for a fourth grant-funded position that was expiring
 - Office will coordinate the implementation of state-led climate initiatives, as well as the monitoring, assessment and tracking of climate adaptation, mitigation, and resilience activities required by the Global Warming Solutions Act
- Expands the part-time position created to support civil rights compliance and environmental justice to a full-time role
- Creates a position in DEC to work on the implementation of new federal drinking water standards
- Continues to use vacancy savings to relieve some base budget pressure
 - Positions may need to be held open for a period of time to ensure that vacancy savings target is achieved
 - DEC has identified one vacant position it will hold open for all of FY23

FY23 ANR Budget – Base Funding Changes

- **General Fund**
 - Funds significant portion of Pay Act and ISF increases
 - Establishes funding for annual updates to DEC wetlands maps
 - In conjunction with a one-time allocation to complete updated statewide mapping in FY23
 - Provides on-going funding for annual software costs associated with full-deployment of the DEC Permit Navigator/Collaborator
 - Funds increase in the Payment In Lieu Of Taxes (PILOT) to towns, including proposed adjustment to base payments used to calculate the PILOT as required by statute
- **Clean Water Fund** (all in, inc. allocations for VTrans, AAFM, ACCD and AoA)
 - \$46.9m in anticipated FY23 expenditures; up from \$42.2m in FY22
 - CWF: \$25,879,149
 - Capital Bill: \$11,000,000 (*+ \$2.6m in BAA for IJJA match*)
 - ARPA: \$10,000,000

FY23 ANR Budget – One-time Allocations

- **General Fund**

- \$5m to the Vermont Outdoor Recreation Economic Collaborative (VOREC) Community Grants program administered by FPR
- \$250,000 to complete a comprehensive update of statewide Vermont Significant Wetlands Inventory (VSWI) maps (coupled with on-going base appropriation to keep maps current)
- \$45,000 to purchase mobile devices and body cameras for Game Wardens

- **Capital Bill BAA**

- \$3.5m for dam safety improvements at ANR-owned assets
- \$2.6m to provide required match for IJA water infrastructure funding
- \$1.5m, through the federal Coronavirus Capital Projects Fund, to improve reliability and performance of internet connectivity services to all 55 State Parks
- *\$44m, through the federal Coronavirus Capital Projects Fund, for Resilient Community Centers*

ARPA - Background

- ARPA provided \$1.9 trillion, nationally, to address the public health and economic crises caused by the COVID-19 pandemic.
- Vermont received more than \$2.7 billion in ARPA funds
 - More than half of these dollars are directly appropriated to federal agencies, individuals, local governments, education institutions, and others
 - Approximately \$1 billion available for the State to deploy between now and December 31, 2024
- The Legislature and the Administration generally agreed to invest the ARPA monies on projects in five broad areas: broadband infrastructure, clean water, climate action, housing, and economic development

FY22 ARPA Water Infrastructure Initiatives

\$40m directed to six ANR-led initiatives:

- Village Water & Sewer (\$8m)
- Sewer Overflow (\$10m)
- 3-acre Stormwater (\$10m, includes \$3.5m to VTrans)
- Pretreatment (\$2m)
 - Grants for municipal facilities challenged to manage incoming commercial/industrial wastewater
- Healthy Homes (\$5m, includes \$750k to DHCD)
 - 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)

FY22 ARPA Water Infrastructure Initiatives

- ANR is in the process of hiring 28 (limited service) positions to provide regulatory, programmatic and administrative support to ARPA initiatives
 - The majority of these positions are in DEC, with smaller numbers of staff added in FWD and the ANR Planning Office
 - As of January 27, 2022:
 - Ten positions have been offered/filled
 - Five are under active recruitment
 - Remaining positions have all been approved but not yet posted for recruitment
- To date, ANR has deployed ~2/3 of its FY22 ARPA appropriations
 - Anticipate all FY22 funding will be committed by the end of Q1 2023

FY22 ARPA Water Infrastructure Initiatives

- \$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 allocated \$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

FY23 ARPA Water Infrastructure Initiatives

- Governor's FY23 Recommend proposes \$72m in additional ARPA funding for water infrastructure investments. This includes funding for:
 - Stormwater retrofits (\$32m)
 - Village Water & Sewer (\$15m)
 - Sewer overflow elimination (\$10m)
 - Residential and mobile home community failed (or failing) water or wastewater system improvements (\$10m, includes \$1.5m to DHCD)
 - Pretreatment (\$5m)
- \$10m in ARPA funds allocated to the Clean Water Board, which recommended:
 - Additional stormwater management measures (\$7m)
 - Agricultural BMPs (\$3m)

FY22 ARPA Climate Action Initiatives**

- FY22 ARPA appropriations totaled \$55m (\$29m ultimately shifted to GF)
 - \$20m in weatherization (\$9m → GF)
 - \$20m in clean energy (\$10m → 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

*** largely outside of ANR's budget*

FY23 ARPA Climate Action Initiatives **

- Governor's FY23 Recommend proposes \$161.5m in additional ARPA funding for investment in climate action. This includes funding for:
 - \$80m to dramatically expand weatherization efforts for low- and moderate-income Vermont households;
 - \$37m in transportation electrification, including EV incentives and charging infrastructure
 - Includes \$3m to install EV charging stations at State Parks and fishing access areas
 - \$20m upgrade electrical service to 200A in low-income Vermont households
 - Necessary precursor to heat pumps and other beneficial electrification
 - \$2m for load management and storage
 - \$15m for hazard mitigation buyouts (+\$10m in one-time GF for FEMA match)
 - \$7.5m in working and natural lands resilience efforts
 - Includes \$1m for FPR's Urban and Community Forestry program for tree planting

*** largely outside of ANR's budget*

Infrastructure Investment Jobs Act (IIJA) - Background

- Nationally, IIJA will provide \$1.2 trillion for variety of infrastructure initiatives
 - \$650 billion for the continuation of existing, major federal infrastructure programs
 - \$550 billion for new programs
- More than \$2 billion will come to Vermont, predominantly to:
 - Clean Water and Drinking Water State Revolving Loan Funds (SRFs) - \$350 million
 - Transportation (replaces expired federal FAST Act funding) - \$1.7 billion

IJJA 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

- IIJA funds can be provided with up to 49% subsidy
 - Will need to follow EPA guidance (expected within next 6-8 weeks)
- 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
- In early 2021, President Biden established the Justice40 Initiative via EO
 - 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 IIJA SRF allocations to disadvantaged communities

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 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

IIJA Environmental Remediation Investments

- 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
- Vermont has an estimated \$355 million in site clean-up and remediation needs

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
 - \$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?

ARPA and IIJA Challenges

- ARPA and IIJA funds are not mix-and-match
 - Although many unknowns and important details still need to be worked out, 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
- Capacity of state, regional and local staff is finite, as is engineering/contractor capacity
- IIJA expands domestic preference procurement requirements for construction materials and manufactured products