

MEMORANDUM

TO: Anson Tebbetts, Secretary
FROM: Jeffrey B. Cook, Administrative Services Manager II
DATE: February 8, 2021
SUBJECT: Capital Construction Funding Summary

Below is a summary of the capital construction accounts for the Water Quality Division at the Agency of Agriculture (Agency) through February 8, 2021. 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).

<u>Department ID</u>	<u>Unspent Funds As Of 07/01/20</u>	<u>Encumbered/ Expended Thru 02/08/21</u>	<u>Funding Remaining</u>	<u>Financial Obligations</u>	<u>Funding Not Obligated</u>
2200991802 (BMP)	\$70,329.82	\$70,329.82	\$0.00	\$0.00	\$0.00
2200991902 (BMP)	\$2,055,942.03	\$610,404.25	\$1,445,537.78	\$1,445,537.78	\$0.00
2200992002 (BMP)	\$4,291,764.00	\$511,126.50	\$3,780,637.50	\$2,269,528.36	\$1,511,109.14
Totals - BMP	\$6,418,035.85	\$1,191,860.57	\$5,226,175.28	\$3,715,066.14	\$1,511,109.14
2200991703 (CWF)	\$46,428.10	\$46,428.10	\$0.00	\$0.00	\$0.00
2200991803 (P Eq)	\$905,990.00	\$349,680.00	\$556,310.00	\$242,813.00	\$313,497.00
Totals - All	\$7,370,453.95	\$1,587,968.67	\$5,782,485.28	\$3,957,879.14	\$1,824,606.14

These obligations represent 168 projects in 70 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 \$3.69 million in FY 2019 and \$5.23 million in FY 2020. In addition, this division currently tracks over \$8.69 million in 232 non-capital grants and contracts. The table above shows \$1,824,606.14 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 help 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 feasible financially. The Agency allocates funds associated with EQIP year-round and will continue as information becomes available from USDA.

In FY 2020, the Agency received 96 BMP applications. In FY 2021, 15 applications have been received to date. This is undoubtedly due to the COVID-19 pandemic. Engineering personnel continue to contact applicants, evaluate their needs, and rank projects for potential financial assistance.

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 ranking CEAP applications and will begin making awards this February. Requested funding from this year's applications exceeds \$2.4 million. **The Agency anticipates awarding \$1.0 million in grants toward these applications from the unobligated balance.** Last year, over \$2.7 million was requested for CEAP resulting in grant agreements totaling over \$1.0 million.

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

In FY 2019, a capital allocation of \$1,397,590.00 was earmarked by the Legislature for phosphorus removal equipment. This funding is also being utilized for the Governor's Vermont Phosphorus Innovation Challenge (VPIC) initiative. To date, the Agency has entered two grants for phosphorus removal equipment, six VPIC grants for prototype and business case development (Stage 2), and three VPIC grants for implementation (Stage 3). VPIC was envisioned to support solutions for reducing phosphorus loading to Vermont's landscape and waterways by harnessing opportunities that innovative technologies and developing markets may offer. The phosphorus removal equipment grants support the purchase of a pyrolysis unit to process separated manure solids into biochar and a dissolved air flotation system. The unobligated total of \$313,497.00 is expected to be obligated during this fiscal year for more VPIC projects moving to Stage 3 and other phosphorus removal equipment.

In past years, the Agency has returned \$958,770.97 in capital construction funds to Buildings and General Services through the FY2011 Capital Budget Act (\$355,241.68 from FY2001 through FY2005 allocations), in FY2012 (\$250,000 was removed from the Agency's allocation and redirected for the Vergennes Capital Project) and in FY2018 (\$353,529.29).

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