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MEMORANDUM

TO: Senator Starr, Chair, Senate Committee on Agriculture

FROM: Ryan Patch, Water Quality Division Deputy Director 

DATE: February 24, 2021

SUBJECT: Comments on Payment for Ecosystem Services and Soil Health Working Group Report

The Vermont Agency of Agriculture, Food & Markets (AAFM) very much appreciates the Senate Committee on Agriculture's interest in the work and recommendations of the Payment for Ecosystem Services and Soil Health Working Group (PES WG). To respond to a recent related inquiry from the Committee, a little background may be useful.

On January 15, 2020, the Soil Conservation Practice and Payment for Ecosystem Services Working Group submitted a report to the Senate Committee on Agriculture and the House Committee on Agriculture and Forestry.¹ This Working Group was reauthorized and renamed by Act 129 of 2020 and is now the PES WG. The PES WG is currently authorized to operate through February 2022, but a legislative proposal is being considered in the House Committee on Agriculture & Forestry to extend the Group's charge for another year through February 2023.

The Working Group determined that a paradigm shift is necessary to acknowledge farmers' important environmental stewardship and empower their continued contributions and advances. However, investment and capital, as well as technological, programmatic, and undeveloped marketplace improvements are essential to making this transformative change possible. The Farm to Plate 2021-2030 Vermont Agriculture & Food System Strategic Plan has identified three specific priorities (priorities #26, 27, 28) which support and recommend funding the PES WG to complete the workplan it proposed in its January 2021 report.²

The Working Group – spearheaded by the initiative of Vermont farmers – learned that farmers and the public and private sectors are exploring how to create payment for ecosystem services systems. Related initiatives are developing around the country and often involve substantial investments. Vermont and others are at the forefront of evaluating how to conceptualize, create, and implement effective PES programs. Vermont's work is particularly new and innovative because it is (1) shifting thinking around externalized costs and (2) attempting to capture the complexity of ecosystem services and their benefits. A successful PES Program in Vermont could enhance agricultural environmental stewardship, while also increasing carbon storage in agricultural soils to combat climate change, and bolstering the rural economy to help ensure the continued delivery of these essential environmental services.

To help achieve its bold vision, the Working Group forwarded eight key recommendations to the General Assembly. The recommendations constituted an 18-month budget of \$500,000. The allocation of those funds would fall into eight general recommendations for six areas of work described in the report. Appropriations would support the work of the PES WG and would be expended through grants and contracts to qualified entities who would review literature, conduct research, and pilot measurement and modeling tools on Vermont farms to evaluate potential program recommendations to the

¹ VAAFM, *Soil Conservation Practice and Payment for Ecosystem Services Working Group Report*, January 15, 2020. Available at: <https://legislature.vermont.gov/assets/Legislative-Reports/Soil-Conservation-Practice-and-PES-Working-Group-Report-01152020.pdf>

² VSJF, *The Vermont Agriculture and Food System Strategic Plan*, January 2021. Available at:

<https://www.vtfarmtoplate.com/assets/resource/files/Vermont%20Agriculture%20and%20Food%20System%20Strategic%20Plan%202021-2030.pdf>



General Assembly. These grants and contracts would be expended by the close of the proposed extended February 2023 PES WG timeline.

The Senate Committee on Agriculture expressed an interest in appropriating \$250,000 to the PES WG. This funding would support the PES WG and enable it to meet with a qualified facilitator, accomplish the studies identified in Appendix A of the PES WG Report of 2020, and begin implementation of a portion of the pilot research identified in Recommendation #4 of the Appendix. A \$250,000 budget would permit an estimated workplan for the PES WG as represented in the table below with reductions in funding to Recommendation #4 (pilot studies) and delay of funding for Recommendation #6 (expansion of the Vermont Environmental Stewardship Program).

<u>Amended Estimated 18-month Working Group Budget 2021-2023</u>		
Rec #	Line Item	Value
1a	Travel and Honorarium for non-paid WG members	\$ 15,000
1b	Facilitation, coordination, and farmer and public outreach and engagement	\$ 75,000
2	Soil health and Ecosystem Services Evidence Based Review	\$ 30,000
3b	Comparison and review of existing and emerging tools, real-time monitoring and PES Programs	\$ 30,000
4	Research pool for advancing the needed tools to create an evidence-based, innovative multi-ecosystem services approach for VT	\$ 50,000
5	Economic valuation study of natural capital, identified ecosystem services, current externalities and identification of potential markets	\$ 50,000
	Total	\$ 250,000
<i>*Assumes 18-month budget, starting July 2021 through January 2023</i>		

While AAFM is very interested in this work and sincerely appreciates the Committee's interest and support, the suggested appropriation is not included as part of the Governor's budget and AAFM fully supports the Governor's budget as proposed. While we believe this work is important, we always have to carefully evaluate other competing interests, the timing of proposals (including when the underlining objectives are developed), and overall budget demands. We plan to continue discussing the proposal and will provide any related updates as soon as we are able.

