

No. 37. An act relating to stormwater management.

(H.481)

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 10 V.S.A. § 1264 is amended to read:

§ 1264. STORMWATER MANAGEMENT

* * *

(c) Prohibitions.

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(7) In accordance with the schedule established under subdivision (g)(3) of this section, a person shall not discharge stormwater from impervious surface of three or more acres in size without first obtaining an individual permit or coverage under a general permit issued under this section if the discharge was never previously permitted or was permitted under an individual permit or general permit that did not incorporate the requirements of the 2002 Stormwater Management Manual or any subsequently adopted Stormwater Management Manual. The Secretary shall provide notice to all owners of property subject to the permit required under this subdivision.

(d) Exemptions.

* * *

(2) No permit is required under subdivision (c)(1), (5), or (7) of this section and for which a municipality has assumed full legal responsibility as part of a permit issued to the municipality by the Secretary. As used in this

subdivision, “full legal responsibility” means legal control of the stormwater system, including a legal right to access the stormwater system, a legal duty to properly maintain the stormwater system, and a legal duty to repair and replace the stormwater system when it no longer adequately protects waters of the State. Notwithstanding the provisions of 24 V.S.A. § 3254 to the contrary, when a municipality assumes or has assumed full legal responsibility for a stormwater system, the municipality may assess municipal special assessment fees on users of the stormwater system provided that a majority of the property owners subject to the special assessment fee consented and the fee assessed is a fair apportionment to the user of the cost of the improvement in accordance with the benefits the user received.

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(g) General permits.

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(3) Within 120 days after the adoption by the Secretary of the rules required under subsection (f) of this section, the Secretary shall issue a general permit under this section for discharges of stormwater from impervious surface of three or more acres in size, when the stormwater discharge previously was not permitted or was permitted under an individual permit or general permit that did not incorporate the requirements of the 2002 Stormwater Management Manual or any subsequently adopted Stormwater Management Manual. Under the general permit, the Secretary shall:

(A) Establish a schedule for implementation of the general permit by geographic area of the State. The schedule shall establish the date by which an owner of impervious surface shall apply for coverage under this subdivision

(3). The schedule established by the Secretary shall require an owner of impervious surface subject to permitting under this subdivision to obtain coverage by the following dates:

(i) for impervious surface located within the Lake Champlain watershed, the Lake Memphremagog watershed, or the watershed of a stormwater-impaired water on or before October 1, ~~2023~~ 2028; and

(ii) for impervious surface located within all other watersheds of the State, ~~no~~ not later than October 1, ~~2033~~ 2038 or not later than five years after a binding stormwater-specific waste-load allocation has been established for that watershed, whichever occurs first.

(B) Establish criteria and technical standards, such as best management practices, for implementation of stormwater improvements for the retrofitting of impervious surface subject to permitting under this subdivision (3).

(C) Require that a discharge of stormwater from impervious surface subject to the requirements of this section comply with the standards of subsection (h) of this section for redevelopment of or renewal of a permit for existing impervious surface.

(D) Allow the use of stormwater impact fees, offsets, and phosphorus credit trading within the watershed of the water to which the stormwater discharges or runs off.

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Sec. 2. REPEALS; SUNSET OF PROPERTY TRANSFER TAX CLEAN
WATER SURCHARGE

(a) 2017 Acts and Resolves No. 85, Sec. I.10 (sunset of clean water surcharge), as amended by 2024 Acts and Resolves No. 181, is repealed.

(b) 2017 Acts and Resolves No. 85, Sec. I.11(a)(5) (effective date of sunset of clean water surcharge) is repealed.

Sec. 3. 2017 Acts and Resolves No. 85, Sec. I.1(b) is amended to read:

(b) Purpose and intent.

(1) The purpose of Secs. I.1–I.12 of this act is to promote the development and improvement of housing for Vermonters.

(2) It is the intent of the General Assembly:

(A) to extend the clean water surcharge to provide ~~an interim~~ a source of revenue for addressing water quality issues throughout the State; and

(B) to continue its work on identifying a long-term funding source or sources that are sufficient in scope and targeted in design to address these water quality issues; ~~and~~

~~(C) once one or more long term funding sources are identified and enacted, but not later than July 1, 2027, to reduce the amount of the clean water surcharge to 0.04 percent.~~

Sec. 4. 2017 Acts and Resolves No. 85, Sec. I.12 is amended to read:

Sec. I.12. EFFECTIVE DATES

(a) Secs. I.1–I.12 shall take effect on July 1, 2017, ~~except that Sec. I.10 (allocating clean water surcharge revenue to Vermont Housing and Conservation Trust Fund) shall take effect on July 1, 2027.~~

Sec. 5. 2017 Acts and Resolves No. 85, Sec. I.7(d) is amended to read:

(d) To compensate for this reduction of available property transfer tax revenue, it is the intent of the General Assembly through this act to provide for the transfer of \$2,500,000.00 to the Vermont Housing and Conservation Trust Fund, as follows:

(1) Sec. D.100 of this act appropriates \$11,304,840.00 in fiscal year 2018 from the Vermont Housing and Conservation Trust Fund to the Vermont Housing and Conservation Board. Upon the effective date of this act, \$1,500,000.00 shall revert to the Fund, resulting in a fiscal year 2018 total appropriation to the Board of \$9,804,840.00. In fiscal year 2018 only, the amount of \$1,500,000.00 from the Vermont Housing and Conservation Trust Fund shall be transferred to the General Fund.

(2) As provided in Sec. I.9 of this act, ~~from July 1, 2017 until July 1, 2027,~~ pursuant to 32 V.S.A. § 9602a, the first \$1,000,000.00 in revenue

generated by the clean water surcharge of ~~0.2~~ 0.22 percent shall be transferred to the Vermont Housing and Conservation Trust Fund. In fiscal year 2018 only, the Commissioner shall transfer the amount of \$1,000,000.00 from the Vermont Housing and Conservation Trust Fund to the General Fund.

(3) ~~After July 1, 2027, pursuant to 32 V.S.A. § 9602a as amended in Sec. I.10 of this act, \$1,000,000.00 in total revenue generated by the clean water surcharge of 0.04 percent shall be transferred to the Vermont Housing and Conservation Trust Fund. [Repealed.]~~

(4) ~~As provided in Sec. I.11 of this act, the clean water surcharge will be repealed in its entirety on July 1, 2039. [Repealed.]~~

Sec. 6. 10 V.S.A. §§ 927 and 928 are amended to read:

§ 927. DEVELOPED LANDS IMPLEMENTATION ~~GRANT~~ PROGRAM

The Secretary shall administer a Developed Lands Implementation ~~Grant~~ Program to provide ~~grants or financing~~ financial assistance to persons who are required to obtain a permit to implement regulatory requirements that are necessary to achieve water quality standards. ~~The grant or financing program shall only be available in basins where a clean water service provider has met its annual goals or is making sufficient progress, as determined by the Secretary, towards those goals.~~ This ~~grant~~ program shall fund or provide financing for projects related to the permitting of impervious surface of three acres or more under subdivision 1264(g)(3) of this title and for a permit renewal under subdivision 1264(h)(2) of this title for a discharge to a

stormwater-impaired water that was permitted under an individual permit or a general permit that did not incorporate the requirements of the 2002 Stormwater Management Manual or any subsequently adopted Stormwater Management Manual. Not more than 15 percent of the total grant amount awarded shall be used for administrative costs.

§ 928. MUNICIPAL STORMWATER IMPLEMENTATION ~~GRANT~~
PROGRAM

The Secretary shall administer a Municipal Stormwater Implementation Grant Program to provide ~~grants~~ financial assistance to any municipality required under section 1264 of this title to obtain or seek coverage under the municipal roads general permit, the municipal separate storm sewer systems permit, a permit for impervious surface of three acres or more, or a permit required by the Secretary to reduce the adverse impacts to water quality of a discharge or stormwater runoff. ~~The grant program shall only be available in basins where a clean water service provider has met its annual goals or is making sufficient progress, as determined by the Secretary, towards those goals.~~ Not more than 15 percent of the total grant amount awarded shall be used for administrative costs. This program also shall be available to a municipality to comply with a permit for impervious surface of three acres or more for a residential subdivision when the municipality assumes or has assumed full legal responsibility for the stormwater system of the residential subdivision under subdivision 1264(c)(7) of this title. Municipalities may

receive assistance under this program for design or engineering services necessary for the formation of a municipal stormwater utility.

Sec. 7. 10 V.S.A. § 1389(e) is amended to read:

(e) Priorities. In making recommendations under subsection (d) of this section regarding the appropriate allocation of funds from the Clean Water Fund, the Board shall prioritize as follows:

(1) As a first priority, make recommendations regarding funding for the following grants and programs, which shall each be given equal priority:

(A) grants to clean water service providers to fund the reasonable costs associated with the inspection, verification, operation, and maintenance of clean water projects in a basin;

(B) the Water Quality Restoration Formula Grant under section 925 of this title;

(C) the Agency of Agriculture, Food and Markets' agricultural water quality programs; and

(D) the Water Quality Enhancement Grants under section 926 of this title at a funding level of at least 20 percent of the annual balance of the Clean Water Fund, provided that the maximum amount recommended under this subdivision (D) in any year shall not exceed \$5,000,000.00; and

(E) funding to partners for basin planning, basin water quality council participation, education, and outreach as provided in subdivision 1253(d)(3) of this title, provided funding shall be at least \$500,000.00.

(2) As the next priority after reviewing funding requests for programs identified under subdivision (1) of this subsection:

(A) funding to programs or projects that address or repair riparian conditions that increase the risk of flooding or pose a threat to life or property;

(B) funding for education and outreach regarding the implementation of water quality requirements, including funding for education, outreach, demonstration, and access to tools for the implementation of the Acceptable Management Practices for Maintaining Water Quality on Logging Jobs in Vermont, as adopted by the Commissioner of Forests, Parks and Recreation;

(C) funding for the Municipal Stormwater Implementation ~~Grant~~ Program as provided in section 928 of this title, including at least \$1,000,000.00 annually for costs of complying with permitting requirements under subdivision 1264(c)(7) of this title;

(D) funding for innovative or alternative technologies or practices designed to improve water quality or reduce sources of pollution to surface waters, including funding for innovative nutrient removal technologies and community-based methane digesters that utilize manure, wastewater, and food residuals to produce energy; and

(E) funding to purchase agricultural land in order to take that land out of practice when the State water quality requirements cannot be remediated through agricultural Best Management Practices.

(3) As the next priority after reviewing funding requests under subdivisions (1) and (2) of this subsection, funding for the Developed Lands Implementation ~~Grant~~ Program as provided in section 927 of this title.

Sec. 7a. 10 V.S.A. § 1389a is amended to read:

§ 1389a. CLEAN WATER INVESTMENT REPORT

(a) Beginning on January 15, 2017, and annually thereafter, the Secretary of Administration shall publish the Clean Water Investment Report. The Report shall summarize all investments, including their cost-effectiveness, made by the Clean Water Board and other State agencies for clean water restoration over the prior fiscal year. The Report shall include expenditures from the Clean Water Fund, the General Fund, the Transportation Fund, and any other State expenditures for clean water restoration, regardless of funding source.

(b) The Report shall include:

* * *

(7) Beginning on January 2028 and every four years thereafter, a review of the sufficiency of the Clean Water Surcharge to the Property Transfer Tax under 32 V.S.A. § 9602a, including an assessment of whether the revenue generated by the surcharge remains necessary to fulfill the State's clean water initiatives. The review shall include an assessment of whether the Clean Water Surcharge should be continued, whether the amount of the surcharge should be adjusted, and whether the surcharge should be repealed at a specified date.

* * *

Sec. 8. RECOMMENDED APPROPRIATION; PRIORITIES

(a) Notwithstanding any other provision of law, the Clean Water Board shall recommend \$5,000,000.00 from the Clean Water Fund in fiscal year 2027 to the Municipal Stormwater Implementation Program in 10 V.S.A. § 928 for costs of complying with permitting requirements under 10 V.S.A. § 1264(c)(7), including for residential subdivisions when the municipality assumes full legal responsibility for the stormwater system.

(b) Before January 1, 2032, the Secretary of Natural Resources shall provide properties subject to the three-acre stormwater permit under 10 V.S.A. § 1264(c)(7) additional priority points when awarding financing under the Municipal Stormwater Implementation Program and under the Developed Lands Implementation Program when residential housing used as primary residences are located on the relevant properties.

Sec. 9. STORMWATER MANAGEMENT PUBLIC RESOURCE GUIDE

(a) On or before January 1, 2027, the Secretary of Natural Resources shall publish a Public Resource Guide to Stormwater Management that informs persons subject to stormwater operating permits under 10 V.S.A. § 1264 with information and resources related to complying with and paying for stormwater permitting requirements. The Resource Guide shall be user friendly and designed to encourage the public to engage with the Agency of Natural Resources in finding solutions to stormwater permitting needs.

(b) The Resource Guide shall:

(1) summarize the statutory requirements for stormwater permits, with specific emphasis on the three-acre stormwater permit required under 10 V.S.A. § 1264(c)(7), including why the permits are required;

(2) recommend available, practical, cost-effective measures for how persons subject to stormwater permit requirements can address parcel-based issues, including:

(A) the lack of a homeowner's association to assume permitting responsibility;

(B) lack of available property to implement stormwater management, including whether and how a person subject to stormwater permits can implement an off-site offset project to comply with permitting requirements; and

(C) how to address or manage stormwater runoff from other stormwater systems entering stormwater systems subject to permitting;

(3) recommend resources where funding for compliance with stormwater permitting requirements may be accessed or applied for, including how to apply for financial assistance from the Agency of Natural Resources;

(4) provide a contact at the Agency of Natural Resources that can assist persons subject to stormwater permitting by answering questions, providing referrals to creative or alternative solutions for achieving permit compliance, and recommending available financial resources; and

(5) provide a model bylaw or ordinance for the formation of a municipal stormwater utility.

(c) The Secretary of Natural Resources shall submit a copy of the Resource Guide to the Senate Committee on Natural Resources and Energy and the House Committee on Environment. The Secretary shall also make the Resources available free of cost to the public from the Agency's website.

Sec. 10. 10 V.S.A. § 1389(e)(2)(C) is amended to read:

(C) funding for the Municipal Stormwater Implementation Program as provided in section 928 of this title, ~~including at least \$1,000,000.00 annually for costs of complying with permitting requirements under subdivision 1264(c)(7) of this title;~~

Sec. 11. 24 V.S.A. § 3616 is amended to read:

§ 3616. RENTS; RATES

(a) A municipal corporation, through its board may establish rates, rents, or charges to be paid as the board may prescribe. The board may establish annual charges separately for bond repayment, fixed operations and maintenance costs and variable operations and maintenance costs dependent on flow.

(b) The rates, rents, or charges may be based upon:

(1) the metered consumption of water on premises connected with the sewer system, however, the board may determine no user will be billed for fixed operations and maintenance costs and bond payment less than the average single-family charge;

(2) the number of equivalent units connected with or served by the sewage system based upon their estimated flows compared to the estimated flows from a single-family dwelling, however, the board may determine no user will be billed less than the minimum charge determined for the single-family dwelling charge for fixed operations and maintenance costs and bond payment;

* * *

(6) for groundwater, surface, or stormwater an equivalent residential unit based on an average or median of the area of impervious surface on residential property within the municipality; or

(7) any combination of these bases, provided the combination is equitable.

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Sec. 12. STUDY COMMITTEE ON STORMWATER MANAGEMENT
AND CREATION OF REGIONAL STORMWATER UTILITY
DISTRICTS

(a) Creation. There is created the Study Committee on the Creation of Regional Stormwater Utility Districts to review the feasibility and benefit of creating regional stormwater utility districts to facilitate implementation and compliance with the water quality laws of the State.

(b) Membership. The Study Committee shall be composed of the following members:

- (1) the Commissioner of Environmental Conservation or designee;
- (2) a representative of the Vermont League of Cities and Towns,
appointed by the Speaker of the House;
- (3) a representative of a municipality subject to the municipal separate
storm sewer system (MS4) permit, appointed by the Committee on
Committees;
- (4) a representative of a municipality with a population under 2,500
persons, appointed by the Speaker of the House;
- (5) a representative of the Green Mountain Water Environment
Association, appointed by the Speaker of the House;
- (6) a commercial or industrial business owner subject to the three-acre
stormwater permit or other stormwater requirements, appointed by the
Committee on Committees;
- (7) a representative of an environmental advocacy organization,
appointed by the Speaker of the House;
- (8) a representative of a regional planning commission, appointed by the
Committee on Committees; and
- (9) a representative of a municipality with a designated downtown area
served by water and sewer infrastructure that is not subject to a MS4 permit,
appointed by the Speaker of the House.

(c) Powers and duties. The Study Committee shall review the feasibility of establishing regional stormwater utility districts in the State. The Study Committee shall:

(1) review current statutory authority for the development of regional stormwater utility districts comprised of multiple municipalities, including identifying any potential disincentives or obstacles to utility formation;

(2) propose an approach the State could use for implementing a regional stormwater utility that would allow the utilities to assume liability and responsibility for compliance with water quality laws, including how a utility could assume responsibility for:

(A) securing the permitting of properties subject to the three-acre stormwater permit; and

(B) achieving the phosphorus reduction targets for the three-acre stormwater permitted properties within the utility district;

(3) review and recommend cost-effective and equitable approaches for regional level revenue raising and distribution of project funding for the purpose of stormwater controls to meet total maximum daily load plans (TMDLs) including:

(A) consider prior revenue-raising recommendations made in the 2017 Clean Water Report from the Office of the State Treasurer;

(B) recommend whether and how to authorize a regional stormwater utility to assess fees or charges to all landowners, residents, and businesses

within the regional stormwater utility district for the purpose of stormwater controls to meet TMDLs;

(C) propose how a regional stormwater utility district could be eligible for Clean Water State Revolving Loan Fund awards and access State-level financial assistance for the design, construction, and operation and maintenance of regulatory and nonregulatory stormwater systems, including from the Clean Water State Revolving Loan Fund;

(D) recommend whether and how a regional stormwater utility can allocate resources and cost-effectively and equitably achieve pollutant reduction measures that are not fully achieved by regulated sites, as might be articulated in a regional stormwater management plan; and

(E) recommend whether and how a regional stormwater utility could improve the management of parcel-based issues in a more cost-effective and equitable manner, such as how a regional utility could address regulation of stormwater systems lacking a homeowners' association or other accountable entity or how a regional utility could improve management of upstream properties that drain into stormwater systems subject to permitting;

(4) recommend whether stormwater permitting for municipalities or others could be streamlined to improve the application process, permit renewal, or fee requirements;

(5) propose how statute should be amended to implement any of the recommendations of the Study Committee, including stormwater management planning for purposes of overall regional phosphorus pollutant reductions; and

(6) estimate a cost to operate proposed regional stormwater utility districts.

(d) Assistance. The Study Committee shall have the administrative, technical, and legal assistance of the Department of Environmental Conservation.

(e) Report. On or before January 15, 2027, the Study Committee shall submit a written report to the House Committees on Environment and on Government Operations and Military Affairs and the Senate Committees on Natural Resources and Energy and on Government Operations with its findings and any recommendations for legislative action.

(f) Meetings.

(1) The Commissioner of Environmental Conservation or designee shall call the first meeting of the Study Committee.

(2) The Commissioner of Environmental Conservation or designee shall be the Chair.

(3) A majority of the membership shall constitute a quorum.

(4) The Study Committee shall cease to exist on March 1, 2027.

(g) Compensation and reimbursement. Members of the Study Committee shall be entitled to per diem compensation and reimbursement of expenses as

permitted under 32 V.S.A. § 1010 for not more than eight meetings. These payments shall be made from monies appropriated to the Agency of Natural Resources.

Sec. 13. EFFECTIVE DATES

This act shall take effect on July 1, 2025, except that Sec. 10 (future Clean Water Fund priorities) shall take effect October 1, 2032.

Date Governor signed bill: May 27, 2025