

# Clean Water Fund Fiscal Overview

House Committee on Appropriations

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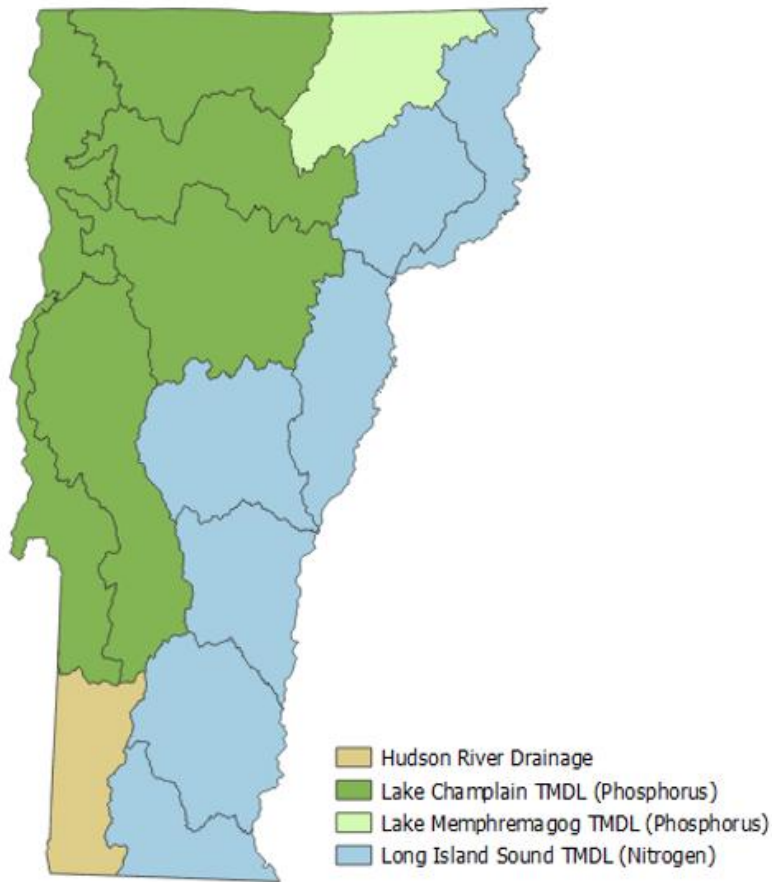


# Outline

- Clean Water Fund History
- Fund Revenue Sources
- Fund Appropriation Process and Uses



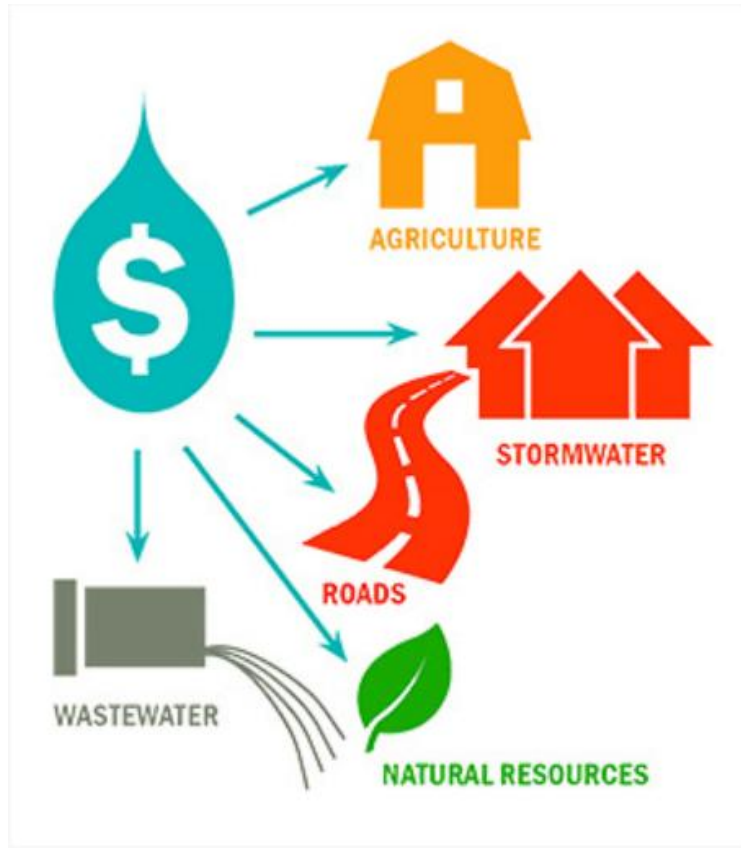
# Clean Water Funding in Vermont



- 10 V.S.A. §1387 outlines that “the State should commit to funding the Clean Water Initiative in a manner that ensures the maintenance of effort and that provides an annual appropriation for clean water programs in a range of \$50 to \$60 million as adjusted for inflation”
- Clean Water Initiative is charged with providing “mechanisms, staffing, and financing necessary to achieve and maintain compliance with the Vermont Water Quality Standards for all State waters”
  - TMDLs are action plans to improve water body health by determining the levels of pollutants a water body can handle
  - Meeting TMDL targets is essential to maintain federal EPA funding



# Clean Water Fund History



- Act 64 of 2015 (the “Clean Water Act”) created the Clean Water Board and Clean Water Fund
  - In response to impending EPA actions to adopt new Total Maximum Daily Load (TMDL) guidelines for Lake Champlain
  - Per 10 V.S.A. §1389 the Board shall be “responsible and accountable for planning, coordinating, and financing of the remediation, improvement, and protection of the quality of State waters.”
  - The Clean Water Board recommends the appropriate allocation of funds from the Clean Water Fund for the purposes of developing the State budget
  - Board consists of representation from 5 state agencies (AOA, ANR, AAFM, ACCD, and AOT) and 4 members of the public
- The Clean Water Board and Fund are one part of the Clean Water Initiative
  - Of \$174.6 million in overall State administered clean water investments in FY 2025, 14.7% was from the Clean Water Fund, and 9.4% from the Capital Bill

Source: <https://dec.vermont.gov/water-investment/cwi/clean-water-board>

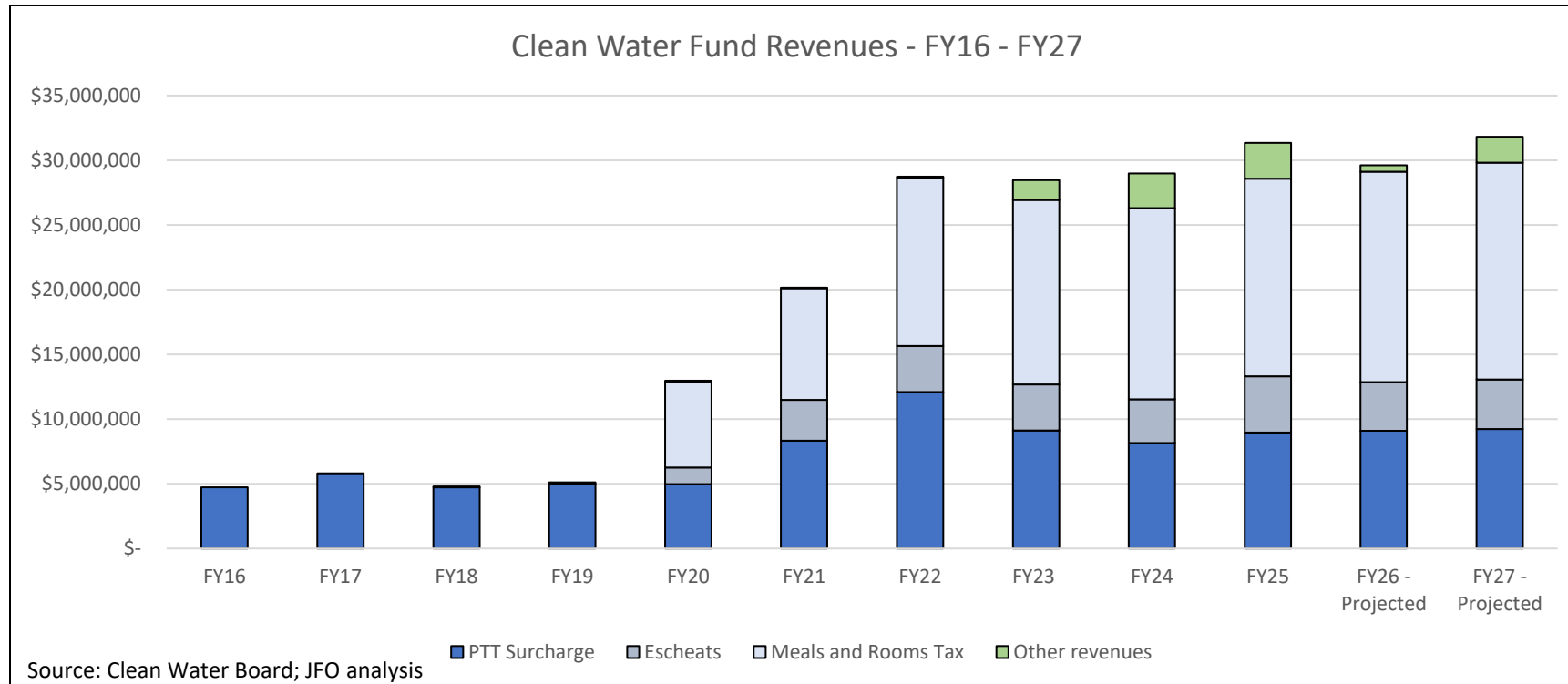


# Clean Water Fund – Revenue Sources

- Three revenue sources:
  - Clean water surcharge - 0.22% surcharge on the property transfer tax
    - Applies to value above \$200,000 for principal residence transfers (above \$250,000 for principal transactions financed through certain housing programs), and the full value of other transactions
    - Generated approximately \$8.9 million in fiscal year 2025 for the CWF, after \$1 million allocation to the Vermont Housing and Conservation Trust Fund required in 32 V.S.A. §9602a
  - 6 percent of meals and rooms tax revenue
    - Generated approximately \$15.2 million in revenue for the CWF in fiscal year 2025
  - Unclaimed bottle deposits (escheats)
    - Generated about \$4.3 million in CWF revenue in fiscal year 2025



# Clean Water Fund Revenues



- These revenues sources do not include appropriated Capital Bill and ARPA funds
- Both clean water surcharge and meals and rooms tax revenues have increased substantially since the pandemic
- Starting in fiscal year 2023, the CWF started to add material revenue from interest income – shown in the “other revenues”



# Clean Water Budget – Capital Bill

- In addition to base funding through dedicated revenue sources, the Clean Water Budget receives funding through the biennial Capital Bill:
  - Capital Bill funding designated for infrastructure, buildings, equipment, etc.
  - Can provide matching funds for federal revolving loan programs
  - Annual target of \$10 million - \$12 million in funding through Capital Bill
  - Act 33 of 2025 (the FY26 and FY27 Capital Bill) appropriated \$10 million in FY 2026, and \$10 million in FY 2027. In FY 2026:
    - \$3 million to the Agency of Agriculture, Food and Markets for water quality grants and projects
    - \$4 million to the Department of Environmental Conservation for municipal pollution control grants
    - \$200,000 for water quality improvements to forest access roads
    - \$2.8 million to the Vermont Housing and Conservation Board for agricultural and land conservation water quality projects

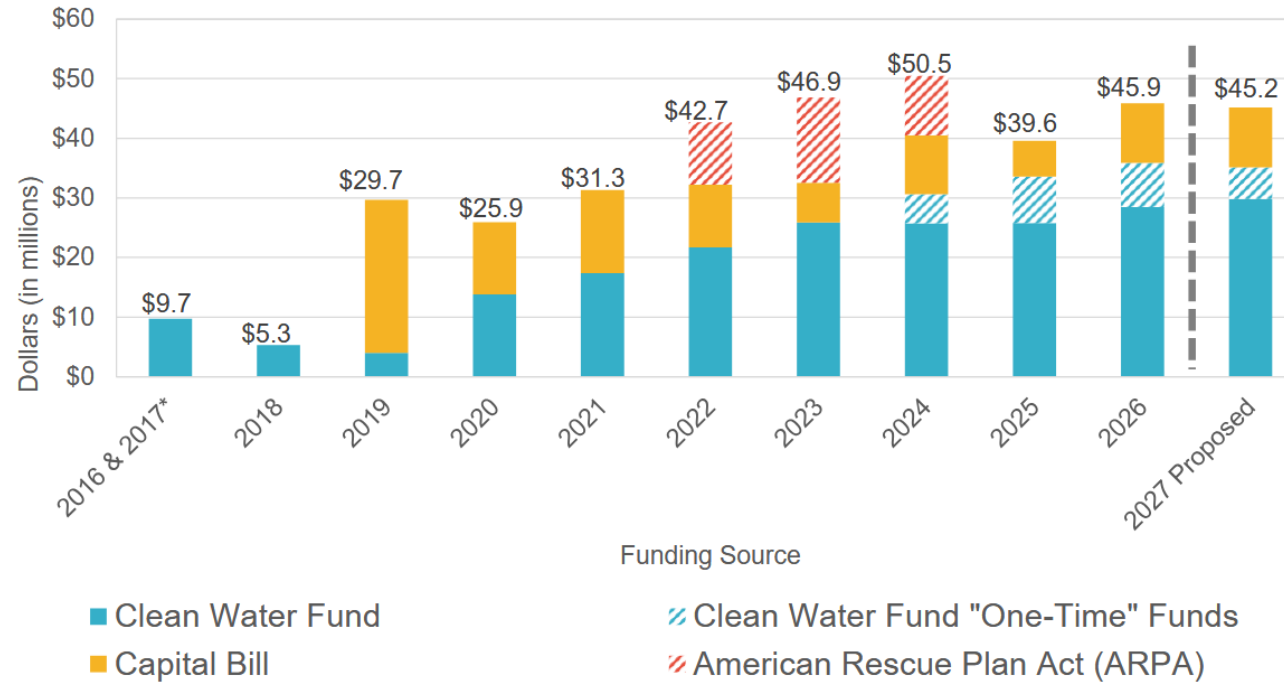


# Clean Water Budget - ARPA Funding

- In total, about \$35 million in ARPA funding budgeted through the Clean Water Fund in fiscal years 2022 through 2024
  - FY 2022: \$10.5 million
  - FY 2023: \$14.3 million
  - FY 2024: \$10 million
- ARPA funding must be fully expended by the end of 2026



# Recent Budget Totals Between Funding Sources



\* 2016 and 2017 funded together

Source: <https://dec.vermont.gov/sites/dec/files/WID/CWIP/Presentation%20Slides.pdf>

- Three periods:

- Initial bridge funding provided through the Capital Bill
- Ramp up of base revenues and ARPA funding
- Spending of unallocated/unreserved funds from previous years to cushion downturn in clean water surcharge revenues and ending of ARPA period



# Statutory Allocations

- Funding allocated according to the statutory priority order found in 10 VSA §1389:
  - 60% to Tier 1 initiatives
    - Grants to clean water service providers
    - Water Quality Restoration Formula Grants
    - Agency of Agriculture, Food, and Markets agricultural water quality programs
    - Water Quality Enhancement Grants
    - Basin planning, education, and outreach
  - 30% to Tier 2 initiatives
    - Projects that address riparian conditions that pose flooding risks
    - Education and outreach regarding implementation of water quality requirements
    - Municipal Stormwater Implementation Grants
    - Funding innovating or alternative technologies or practices
    - Purchasing agricultural lands with water quality requirements that can't be remediated
  - 10% to Tier 3 and other
    - Developed Lands Implementation Grant Program



# FY 2027 Proposed Budget - Example Projects by Tier

Tier	Agency	Funding Purpose	Amount
1	Agency of Agriculture, Food, and Markets	Water Quality Grants to Partners and Farmers	\$11,002,381
1	Department of Environmental Conservation (DEC)	Water Quality Restoration Formula Grants to Clean Water Service Providers	\$7,210,000
2	Department of Environmental Conservation (DEC)	Three-Acre General Permit Financial Assistance	\$3,382,457
Other	Department of Environmental Conservation (DEC)	Lakes in Crisis Fund	\$120,000

Source: <https://dec.vermont.gov/sites/dec/files/2025-12-17Version%20Budget%20Adjustment.pdf>



# FY 2027 – Recommended Clean Water Budget by Agency

Agency	Base Clean Water Fund	Base Capital Bill	One-Time Funds*	Total
Agency of Agriculture, Food, and Markets	\$10,742,381	\$1,500,000	\$1,155,000	\$13,397,381
ANR - Department of Environmental Conservation (DEC)	\$14,605,000	\$5,577,600	\$3,382,457	\$23,565,057
ANR - Department of Forests, Parks, and Recreation	\$477,062	\$200,000	\$672,938	\$1,350,000
Agency of Administration	-		\$125,000	\$125,000
Vermont Housing and Conservation Board	-	\$2,800,000		\$2,800,000
Agency of Transportation	\$4,000,000			\$4,000,000
<b>Total</b>	<b>\$29,824,443</b>	<b>\$10,077,600</b>	<b>\$5,335,395</b>	<b>\$45,237,438</b>

\*One-time funds are a mix of prior year unreserved/unallocated and projected interest income

Source: <https://dec.vermont.gov/sites/dec/files/2025-12-17Version%20Budget%20Adjustment.pdf>



# Closing thoughts

- The Clean Water Fund is just one part of the Clean Water Initiative
- The Clean Water Budget has a complex network of funding sources and appropriations
  - Three dedicated revenue sources, the biennial capital bill, and ARPA funds
  - Appropriations to 5 state agencies across multiple priority tiers
- The Clean Water Budget has experienced a significant influx of revenues since the pandemic, both from ARPA and dedicated revenue sources
  - What is the long-term outlook for Fund's revenue sources?
- Questions?

