



February 5, 2026 | 1

# DEC testimony on SFY26-27 Capital Budget Adjustment

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*House Committee on Corrections & Institutions*  
*February 5, 2026*

# Outline

- Overview of DEC Capital Budget Adjustment Requests
  - Section 9: Agency of Natural Resources
  - Section 10: Clean Water
- Section 10: Clean Water
  - Clean Water Board and budget process
- Overview of State Revolving Funds
  - State Match in Sections 9 (Drinking Water) and 10 (Clean Water)
- Municipal Pollution Control Grants (Section 10)
- Policy Proposals
  - Disadvantaged Communities (Section 8)
  - Chapter 2 Demonstration Requirements (Section 9)

## Section 9: Agency of Natural Resources (DEC lines only)

Row #	Activity	SFY26	SFY27	SFY27 BA	Total
73	State 20% match to federal EPA DWSRF capitalization grant	-	590,000	2,498,000	3,088,000
75	Waterbury Dam Penstock Project Cost Overruns - Monitoring Equipment	-	-	150,000	150,000

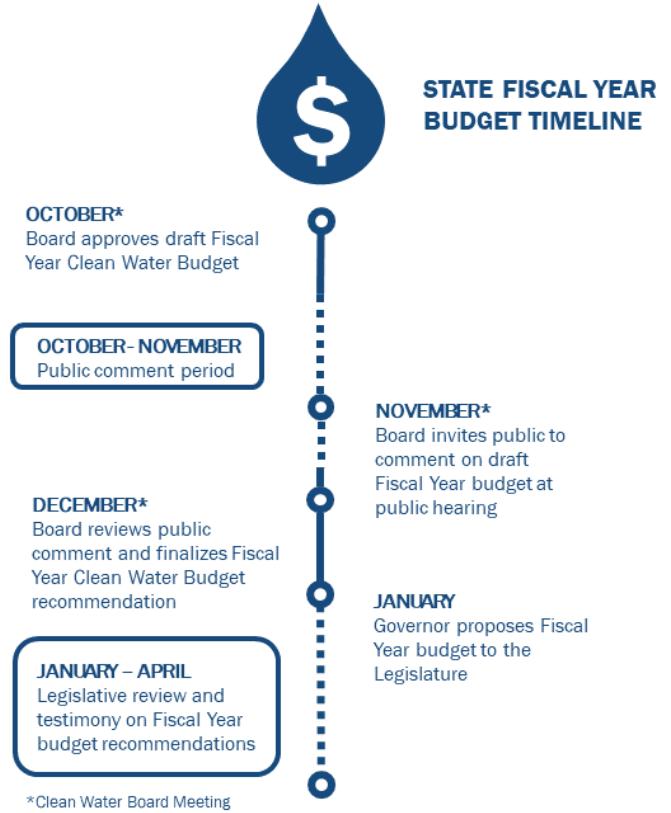
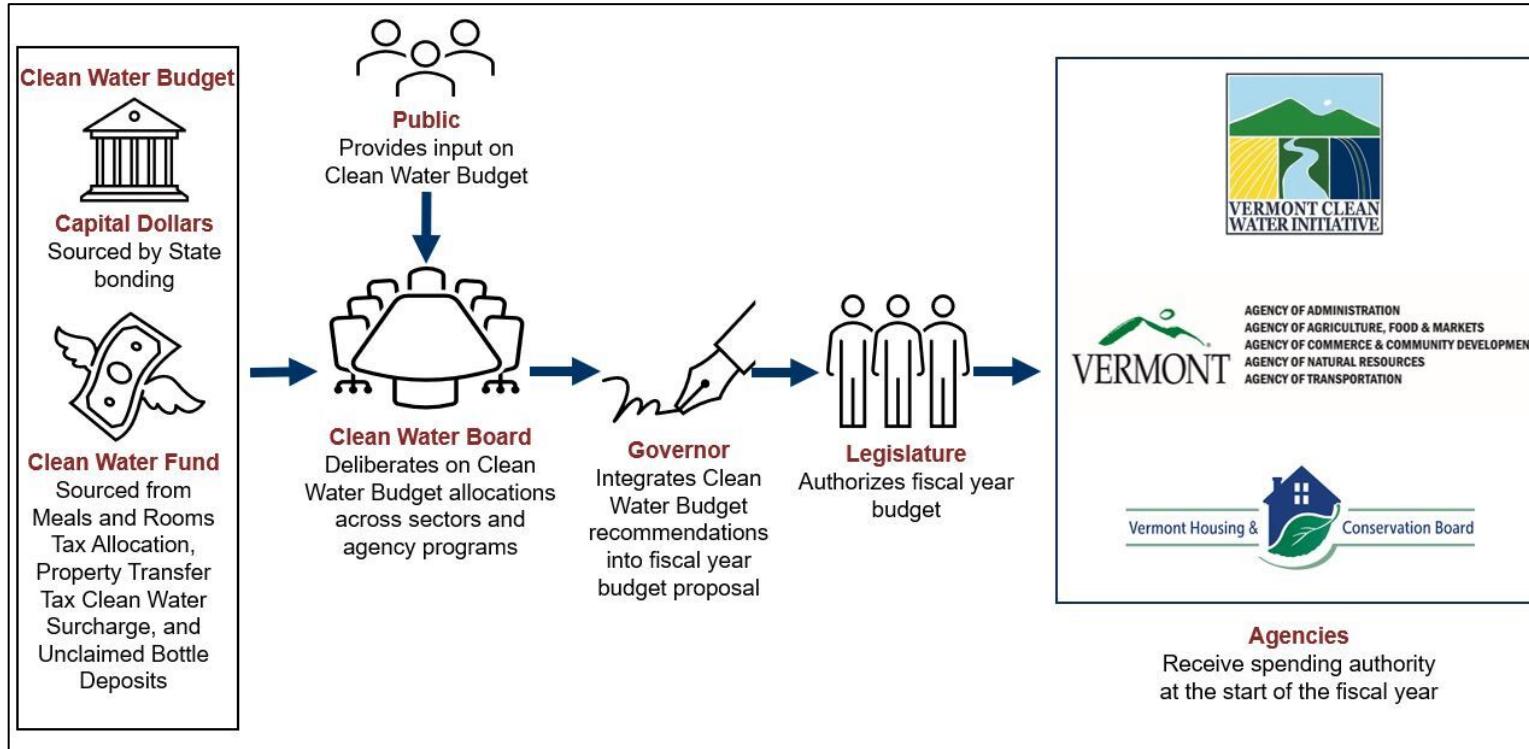
## Section 10: Clean Water (DEC lines only)

*Recommended through the Clean Water Board process*

Row #	Activity	SFY26	SFY27	SFY27 BA	Total
88	State Match to Clean Water State Revolving Fund Federal Grant	-	-	1,577,600	1,577,600
89	Municipal Pollution Control Grants	4,000,000	-	3,922,400	7,922,400

# Section 10: Clean Water

## Recommended through the Clean Water Board process



# SFY 2027 Clean Water Budget Totals by Funding Source

**\$29.8** +

**\$10** +

**\$5.3** =



**45.2**  
**MILLION**

Estimated SFY 2027 Clean Water Fund revenue from Meals and Rooms Tax, Property Transfer Tax Clean Water Surcharge, and Unclaimed Bottle Deposits.

Estimated SFY 2027 funds from the clean water section of the Capital Bill.

Estimated SFY 2027 “one-time” funds from unallocated/unreserved Clean Water Fund revenue and projected interest income.

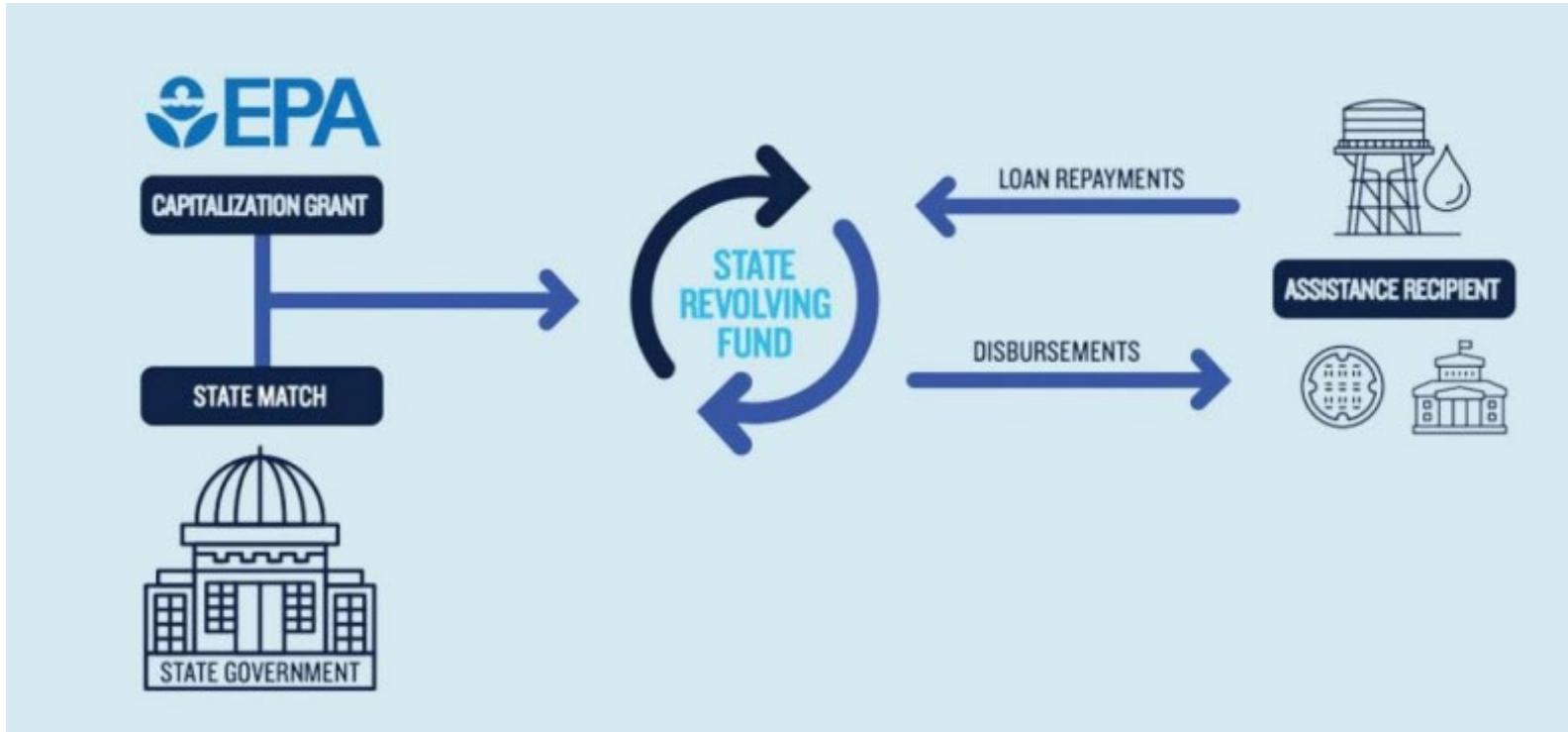
Estimated SFY 2027 Clean Water Budget.

# VT Clean Water and Drinking Water State Revolving Funds (CWSRF and DWSRF)



- Essential Funding for Infrastructure Projects
- Low interest loans (0-2.75%) to municipalities and private entities.
- Some loan forgiveness, i.e. “subsidy”
- May be combined with other state, local and federal funding
- All projects ranked based on priority system criteria

# VT Clean Water and Drinking Water State Revolving Funds (CWSRF and DWSRF)





## Clean Water Projects

- Planning, Design and Construction
- Municipal
  - Wastewater Treatment
  - Stormwater
- Private
  - Wastewater and Stormwater



# Drinking Water Projects

- Planning, Design and Construction
- Public Water Systems
  - Wells (sources)
  - Treatment
  - Infrastructure -pipes

The Vermont Clean Water  
State Revolving Fund  
Intended Use Plan  
for Federal Fiscal Year 2025

Prepared by:  
The Water Investment Division  
Vermont Agency of Natural Resources  
Department of Environmental Conservation  
1 National Life Drive, Davis 3 | Montpelier, VT 05620-3510

September 17, 2025

## Annual Intended Use Plans (IUP)

- Funding Amounts
- Priority System
- Identify funding-eligible projects
- Links to current IUPs:
  - Adopted FFY25/SFY26 CWSRF IUP
  - Adopted FFY2025 DWSRF IUP

# **Clean Water and Drinking Water SRF Assistance to VT Communities: 2021-2025**

## **Clean Water**

**\$105MM** in Loans

120 Loans

## **Drinking Water**

**\$154MM** in Loans

172 Loans

# SRF Federal Capitalization Grants and State Match

- EPA Capitalization Grants require 20% match
- Every \$1 of match results in \$5 of federal grant
- Total EPA Grants 2021-2025
- Clean Water SRF: \$74.8MM
- Drinking Water SRF: \$187.6MM

# Adjustments to SRF Grant Match Needs

- Estimated match requested is based on anticipated federal grant
- Grants were typically consistent one year to next
- Congressionally Directed Spending (“CDS”) or “earmarks” are deducted from national SRF allocation before the allocation is apportioned to the states
- FFY25 budget/continuing resolution did not include CDS projects as anticipated; resulted in higher SRF grants and associated match need than anticipated
- SFY27 budget adjustment request includes outstanding FFY25 match need and projected FFY26 match need

# Municipal Pollution Control Grants



- Provides funding to municipalities
- Funds Wastewater Treatment Plants and collection systems and Stormwater Projects
- Grants are used to offset up to 35% of project cost

# Policy Items

**Sections 8 and 9 of Governor Recommended**

# Section 8. 24 V.S.A. § 4752

## “Disadvantaged Municipality”

If “disadvantaged” a borrower may qualify for:

- Longer loan term (up to 40 years)
- Lower admin fee (down to 0%)
- Up to 50% loan forgiveness

# Section 8. 24 V.S.A. § 4752

(12) “Disadvantaged municipality” means a municipality or the served area of a municipality that...

- (A) Median Household income is less than state average and user rates are greater than 1% of median income; or
- (B) Median Household income equal to or greater than the state average and user rates are greater than 2.5% of median income.

# Section 8. 24 V.S.A. § 4752

(12) “Disadvantaged municipality” means a municipality or the served area of a municipality that...

(C) meets the criteria as otherwise defined by the Secretary in a duly-adopted Drinking Water State Revolving Loan Fund Intended Use Plan, which may include consideration of household income, user rates, or other socioeconomic indicators, following opportunity for public notice and comment on said criteria; or

(D) serves a majority of users that reside in a nonprofit and resident owned manufactured housing communities registered with the Department of Commerce and Community Development pursuant to 10 V.S.A. § 6254.

## **Section 9. 10 V.S.A. §1628**

Ch. 2 Environmental Protection Rule (Pollution Control Priority System), Subchapter 300

- Subchapter 300: “Municipality to Demonstrate that the POTW or MSPOWS Project will Serve a Designated Center and that Scattered Development Will Not Occur “
- Current Requirement:  
New wastewater treatment plant or service outside Designated Center, must demonstrate:  
No reasonable alternatives and there are rules in place to prevent “scattered development”  
Significant health problem most cost-effectively addressed by new service.
- Proposal:  
Allows requirements to be satisfied for projects that include service to new housing or that reserve wastewater capacity for new housing.

# Thank you!

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<https://dec.vermont.gov/water-investment/water-financing/srf>