



Overview of the Clean Water Budget and Funding of Redemption Centers

Jared Carpenter
Lake Champlain Committee
Before the
House Committee on Environment
February 10, 2026

Background: Act 64 (2015) established the Clean Water Fund for the following purposes, but included little revenue



- (1) assist the State in complying with water quality requirements and construction or implementation of water quality projects or programs;
- (2) fund staff positions at the Agency of Natural Resources, Agency of Agriculture, Food and Markets, or Agency of Transportation when the positions are necessary to achieve or maintain compliance with water quality requirements and existing revenue sources are inadequate to fund the necessary positions; and
- (3) provide funding to nonprofit organizations, regional associations, and other entities for implementation and administration of community-based water quality programs or projects.

Possible Funding Sources Listed in Treasurer's 2017 Clean Water Report



Abbreviated List of Sources Considered		
	Revenue Source	Annual Amount
Category One: Existing Revenue Source		
1	Clean Water Surcharge on Property Transfers	Current 0.2% surcharge on the transfer of certain properties = \$4.7M-\$5M
Sources Proposed During Stakeholder Process		
Category Two: Act 138 (2013) and Act 97 (2014) Legislative Reports		
2	\$50 Annual Flat Parcel Fee	\$16.7 million
3	\$3 Per Acre Per Parcel Fee	\$15 million
4	Impervious Surface Tiered Acreage Fee	\$18 million
5	Impervious Surface Tiered Parcel Fee	\$18 million
6	Excise Tax on Pesticides	\$70,000-\$140,000
7	Property tax	\$0.01 property tax increase = \$8M annually
8	Personal Income Tax	\$7M: 1% of current revenues; \$13.3M: .1% increase applied to the rate of each tax bracket (i.e. 3.55% increased to 3.65%); \$5.5M: Bottom tax rate remains at 3.55% and other rates increased by .1%; \$2.8M: Bottom two brackets remain at 3.55%
9	Gas tax	\$0.01 increase / gallon of gas = \$3M; \$0.01 tax/gallon of diesel = \$690,000
10	Fertilizer tonnage fee	<ul style="list-style-type: none"> • Doubling the Ag fertilizer tonnage fee from \$0.50 to \$1 = \$19,000 in new revenue • Increasing the Ag fee to \$25 = \$930,000 in new revenue • Increasing the non-Ag fee by \$1 = \$6,000 in new revenue
11	Excise Tax on Flushable Consumer Products	1% excise tax = \$1.35M
12	Excise Tax on Bottled Water Containers	\$0.01 per container = \$1M
13	Escheating Unclaimed Beverage Container Deposits	\$1.5M-\$2M annually.
14	DEC Fines for non-compliance	\$200,000
15	Agency of Agriculture Food and Markets Fines for non-compliance	Agency of Agriculture penalties = \$175K-\$230K; Vermont Office of Attorney General Water quality violations totaled \$24.75K in 2016 and \$118K in 2014

Category Three: Stakeholder Suggestions		
16	Sales Tax on Nail Salons	\$2.23M
17	Sales Tax on Beauty Salon Services	\$4.3M
18	End education property tax Exemption on Ski Lifts and Snowmaking Equipment	\$1.5-\$2M
19	Current Use: Apply a 90% discount to all property enrolled in current use.	\$4.5M
20	Sales Tax on Marinas	\$210,000
21	Pharmaceutical Medicine Excise Tax	1% excise tax on prescription drugs = \$5.5M; 1% excise tax on non-prescription drugs = \$600,000
22	Sales Tax on Parking (Lots and Garages)	\$280,000
23	Sales Tax on Limousine Services	\$610,000
24	Sales Tax on Storage Units	\$940,000
25	Sales tax on new car dealer labor charges, work under warranty, and value of service contracts	\$4.8M
26	Sales Tax on General Auto Repair	\$6.2M
27	Inspection Sticker Fee	\$1 increase = \$585K.
28	Surtax on Rental Cars	1% surtax on rental vehicles = \$480,000.
29	Surtax/Increase to Sales & Use Tax	0.1% increase = \$6M.
30	Dollar Surcharge on Rooms	\$1 surcharge on rooms = \$3.6M
31	Surtax/Increase to Meals, Rooms, and Alcoholic Beverages	25% increase = \$4.2M • \$2.5M - Meals • \$1.2M - Rooms • \$500K - Alcohol
32	Voluntary Contribution Line Item on the Personal Income Tax Form	\$30K-\$100K
Category Four: Reappropriation of Existing Source/Other Concepts		
33	Affinity Card	Minimal
34	Reappropriation of Current Expenditures	Varies



Vermont Clean Water Fund (10 V.S.A. §1388)

§ 1388. Clean Water Fund

(a) There is created a special fund to be known as the Clean Water Fund to be administered by the Secretary of Administration. The Fund shall consist of:

(1) revenues from the Property Transfer Tax surcharge established under 32 V.S.A. § 9602a;

(2) other gifts, donations, and impact fees received from any source, public or private, dedicated for deposit into the Fund and approved by the Secretary of Administration;

(3) the unclaimed beverage container deposits (escheats) remitted to the State under chapter 53 of this title;

(4) six percent of the revenues from the meals and rooms taxes imposed under 32 V.S.A. chapter 225; and

(5) other revenues dedicated for deposit into the Fund by the General Assembly.

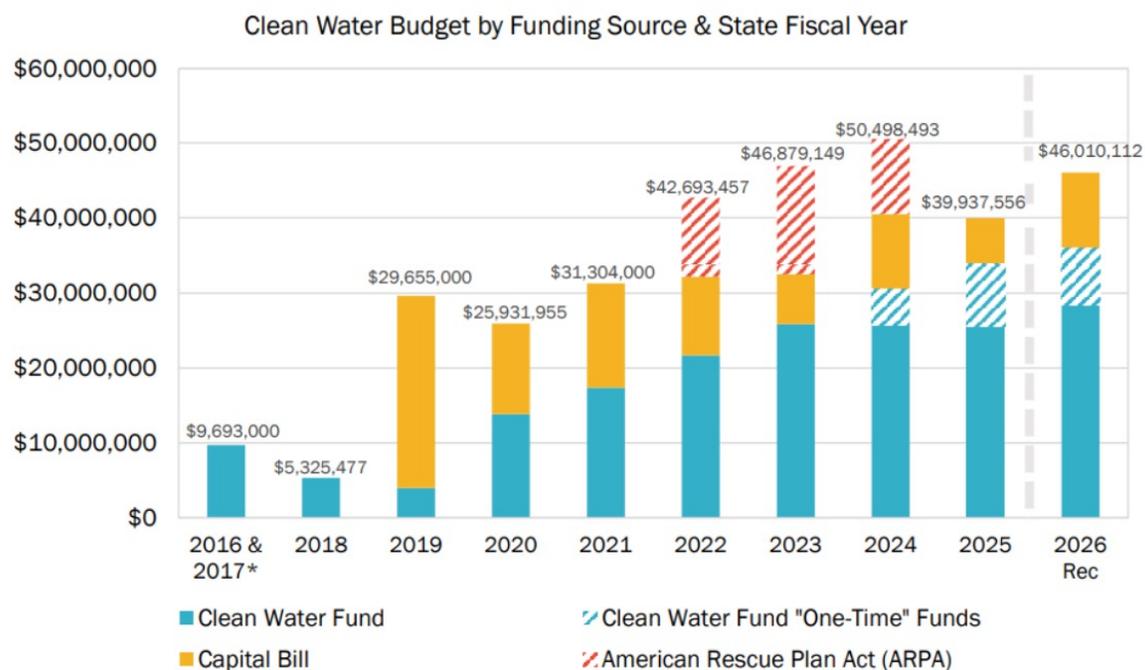
(b) Notwithstanding any contrary provisions of 32 V.S.A. chapter 7, subchapter 5, unexpended balances and any earnings shall remain in the Fund from year to year. (Added 2015, No. 64, § 37, eff. June 16, 2015; amended 2017, No. 208 (Adj. Sess.), § 4b, eff. May 30, 2018; 2019, No. 76, § 3a, eff. Oct. 1, 2019.)



Vermont's goal is to maintain the Clean Water Budget at \$50 to \$60 Million (10 V.S.A. §1387):

“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 million to \$60 million as adjusted for inflation.”

Clean Water Budget by Funding Source and State Fiscal Year



From Clean Water Board Final SFY26 Clean Water Budget Recommendations (Dec. 3, 2024)

Clean Water Fund Revenue Sources



Clean Water Fund Operating Statement - Appropriation Basis - January 2026

	Actual	Jan 2025 Rev. Update / Gov Rec Budget	Jul 2025 Rev. Update / As Passed	Jan 2026 Rev. Update / As Passed	Jan 2025 Rev. Update	Jul 2025 Rev. Update / Draft CWB	Jan 2026 Rev. Update / Gov Rec Budget	Jul 2025 Rev. Update	Jan 2026 Rev. Update / Gov Rec Budget
Revenue	FY25	FY 2026	FY 2026	FY 2026	FY 2027	FY 2027	FY 2027	FY 2028	FY 2028
Clean Water Surcharge (PTT)	8,954,694	8,680,000	9,090,000	9,090,000	8,770,000	9,220,000	9,220,000	9,420,000	9,410,000
Interest Income	2,785,951	500,000	500,000	500,000		2,000,000	2,000,000		
Reversions									
Donations									
Escheats	4,356,251	3,476,062	3,762,917	3,762,917	3,451,971	3,834,443	3,834,443	3,984,537	3,984,537
Meals and Rooms Tax	15,255,332	16,260,000	16,260,000	16,140,000	16,794,000	16,770,000	16,656,000	17,346,000	17,238,000
Subtotal Sources	31,352,228	28,916,062	29,612,917	29,492,917	29,015,971	31,824,443	31,710,443	30,750,537	30,632,537

Annual Escheats Revenue

FY28 (Projected)	\$3,984,537
FY27 (Projected)	\$3,834,443
FY26 (Projected)	\$3,762,917
FY25 (Actual)	\$4,356,251
FY24 (Actual)	\$3,384,163
FY23 (Actual)	\$3,548,336
FY22 (Actual)	\$3,554,563
FY21 (Actual)	\$3,159,383

FY27 Clean Water Budget Revenue Projections

Clean Water Fund	
PTT	\$9,220,000
Escheats	\$3,834,443
M&R Tax	\$16,656,000
Interest Income	\$2,000,000
CWF Total	\$31,710,443
Capital Funds	\$10,000,000
One Time Funds	\$5,335,395
Total	\$47,045,838
(FY27 Budget Recommend)	\$45,159,838)

From Clean Water Board Meeting Materials (Feb. 11, 2026)



DR 25-0991 Temporarily Diverts the Escheats for Redemption Centers

Over the course of four years, from FY30 (mid-2030) through FY33 (to mid-2034), the current proposal diverts \$3.5 million for development of redemptions centers

(3) the unclaimed beverage container deposits (escheats) remitted to the State under chapter 53 of this title, except as follows:

(A) In State fiscal year 2030, the Secretary may transfer up to \$1,000,000.00 to the Solid Waste Account of the fund created pursuant to section 6618 of this title for grants pursuant to section 6618(b)(11) of this title;

(B) In State fiscal year 2031, the Secretary may transfer up to \$1,000,000.00 to the Solid Waste Account of the fund created pursuant to section 6618 of this title for grants pursuant to section 6618(b)(11) of this title;

(C) In State fiscal year 2032, the Secretary may transfer up to \$750,000.00 to the Solid Waste Account of the fund created pursuant to section 6618 of this title for grants pursuant to section 6618(b)(11) of this title; and

(D) In State fiscal year 2033, the Secretary may transfer up to \$750,000.00 to the Solid Waste Account of the fund created pursuant to section 6618 of this title for grants pursuant to section 6618(b)(11) of this title;



Should a possible decline in escheats revenue over time ...

While difficult to quantify, there is a concern that escheats revenue to the Clean Water Fund will not only be diverted from the escheats between FY30 and FY33, but at the same time, the overall escheats revenue may decrease due to increased redemption rates (i.e. the program succeeds).

§ 1534. BEVERAGE CONTAINER REDEMPTION RATE GOAL;

REPORT

(a) It is a goal of the State that the following minimum beverage container redemption rates shall be satisfied by the specified dates:

- (1) Beginning on July 1, 2028: 75 percent.
- (2) Beginning on July 1, 2032: 80 percent.
- (3) Beginning on July 1, 2037: 85 percent.
- (4) Beginning on July 1, 2042: 90 percent.



... be offset by an increase in Meals & Rooms Tax revenue to the Clean Water Fund?

M&R Revenue Jan 2026 Projections (in millions of dollars)

	Total	1%	6%	+2%	= 8%
FY26	\$269.0	\$2.69	\$16.14	\$5.38	\$21.52
FY27	\$277.6	\$2.77	\$16.62	\$5.54	\$22.16
FY28	\$287.3	\$2.87	\$17.23	\$5.74	\$22.97

Recall that ANR projected the Clean Water Budget needed \$50 to \$60 million to reach the TMDL goals and the FY27 Revenue Projection is \$47.04, with \$3.83 from escheats.