Legislative Report on Clean Water Funding

Act 64, (the Vermont Clean Water Act or the Act) signed into law in 2015, established a Clean Water Fund to help municipalities, farmers and others implement water quality improvements and comply with clean water regulations. The Act established a Clean Water Fund and provided funding through Fiscal Year 2018 (ending on July 1, 2018). The Act directs the Office of the State Treasurer, in consultation with state agencies, to prepare this legislative report on funding sources to continue to support the Clean Water Fund.

NOTE: The revenue sources described in the presentation were proposed by a variety of sources during the nine-month stakeholder process. These revenue sources are not recommendations or endorsements by the Treasurer's Office. The projection and description of these sources are provided for the purpose of public information and discussion.

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Legislative Report on Clean Water Funding

Due January 15, 2017

Public Meeting on Clean Water Revenue Sources

November 16, 2016

Office of the Treasurer

Department of Environmental Conservation

Department of Taxes

dec.vermont.gov/watershed/cwi/cwf/future

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Meeting Agenda

- Introductions
- Legislative Report and Stakeholder Process
- Cost Estimates
- Revenue Options/Public Comment

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Clean Water Funding Legislative Report Timeline & Stakeholder Meetings

23 Stakeholder and Public Outreach Events, March - November

Mar

Spring Stakeholder Meetings (6)
Focus: Introdcution to revenue needs and funding options

Jun

Aug

Fall Stakeholder Meetings (16)
Focus: Evaluation of funding needs and options

Oct

Today

Nov

Public Meeting

Public Comment Period
Nov.16th - Dec. 1st

Jan

Final Report

6 Spring Stakeholder Meetings

16 Autumn Stakeholder Meetings
- 3 Business Community Meetings
- 2 Chambers of Commerce Meetings
- 1 Business Roundtable Meeting
- 4 Municipality-Focused Meetings
- 2 Agricultural Sector Meetings
- 1 Non-Governmental Meeting
- 3 State Agency Secretary Meetings

1 Public Meeting
To Discuss Revenue Options

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Act 64 Legislative Report

2015 Act 64, Sec. 40. STATE TREASURER REPORT ON LONG-TERM FINANCING OF STATEWIDE WATER QUALITY IMPROVEMENT

On or before January 15, 2017, the State Treasurer, after consultation with the Secretary of Administration, the Commissioner of Environmental Conservation, and the Commissioner of Taxes, shall submit … a recommendation for financing water quality improvement programs in the State.

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Act 64 Legislative Report

Recommend long-term funding sources for Clean Water Fund. Recommendations shall Include:

(1) Proposed revenue sources

(2) Recommendation for incentivizing Best Management Practices

(3) Estimated amount of revenue to be generated by source

(4) Summary of how each source will be administered, collected and enforced

(5) Assessment of whether the State should use bonds to finance water quality improvements

(6) Legislative proposal to implement each of the proposed revenue sources

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“All-In” Approach

Wastewater Treatment

Forestry

Developed Land ≥ 3 acres

River Channels

Agriculture

Roads

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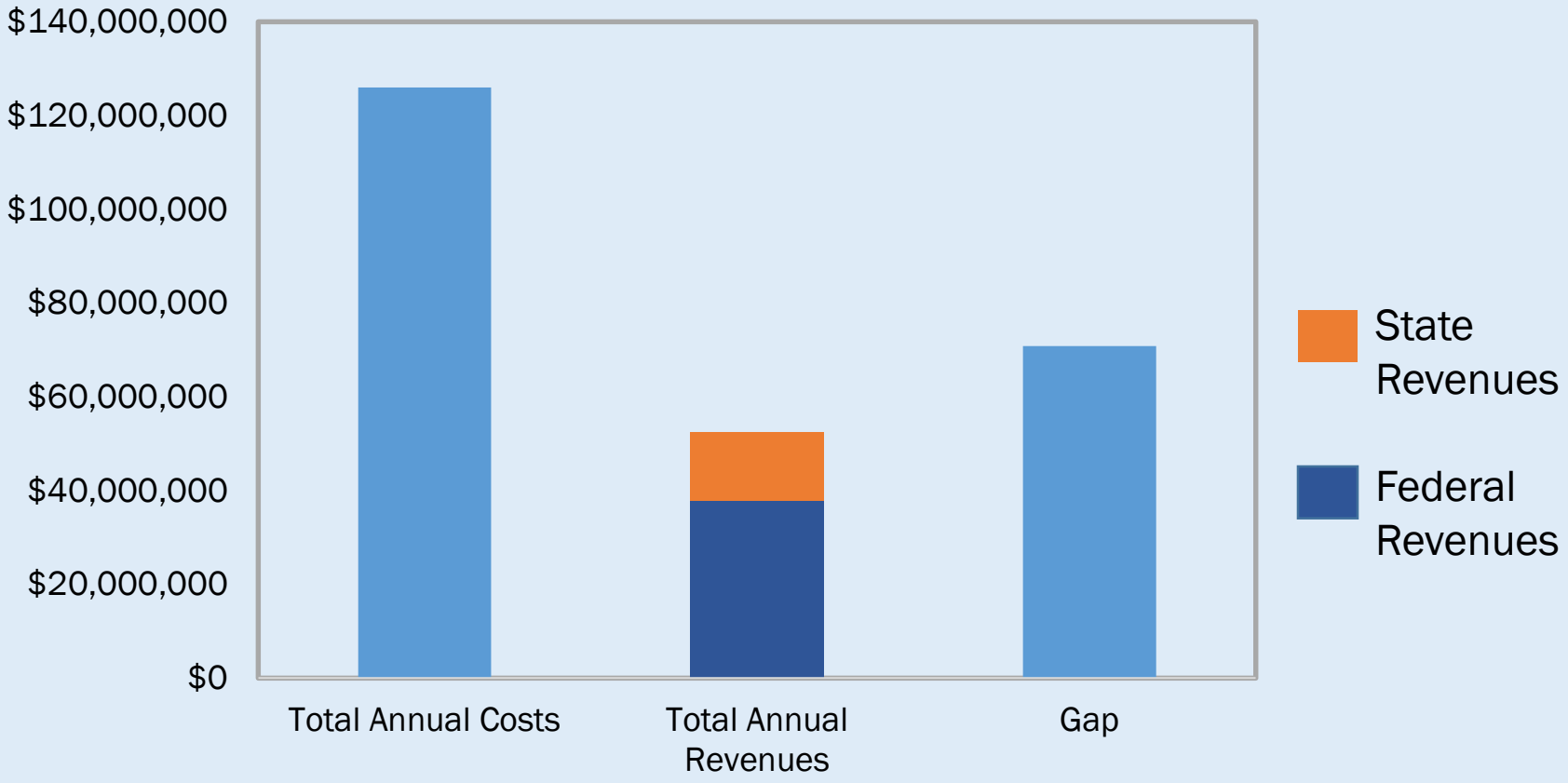
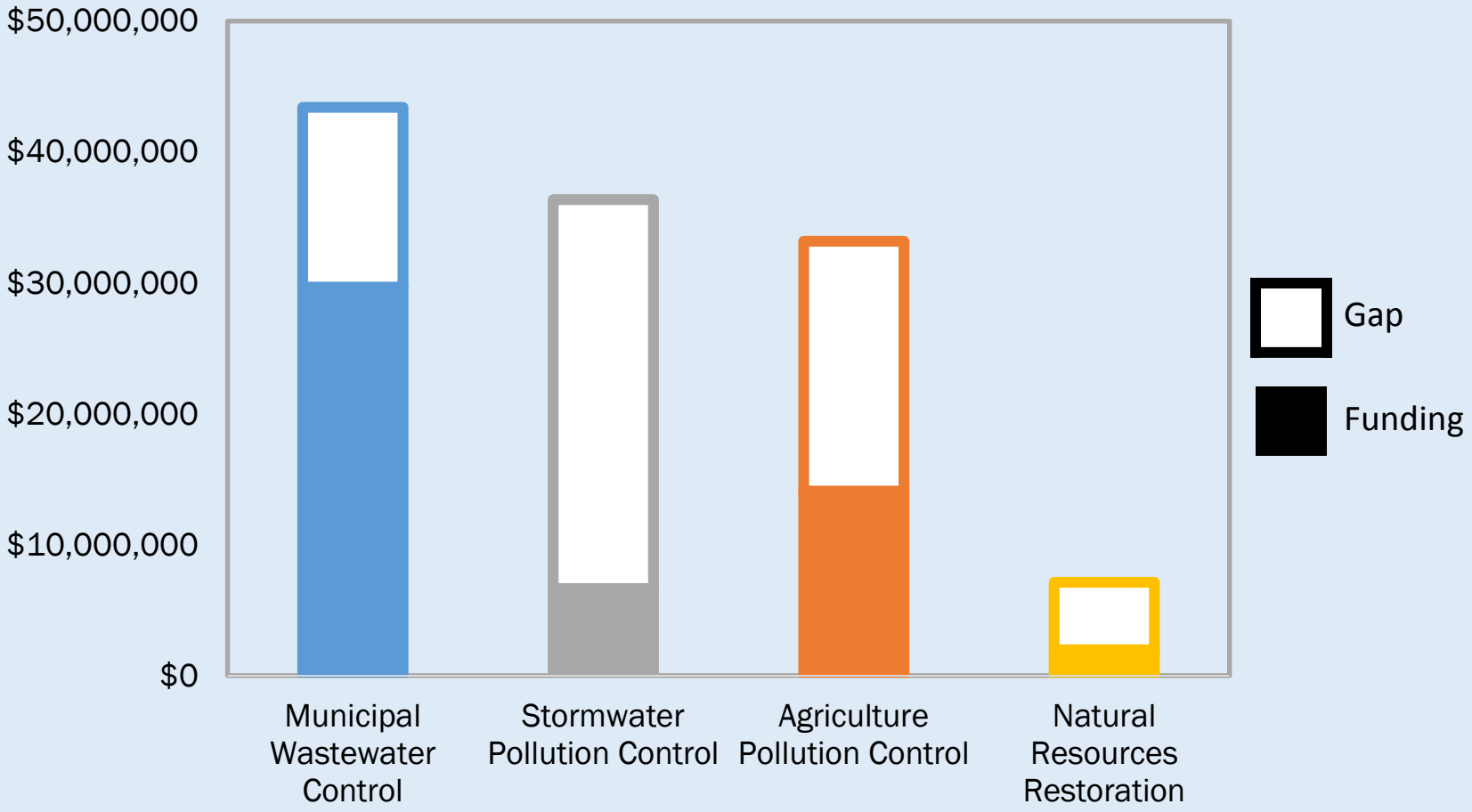
Vermont Total Annualized Clean Water Costs, Revenues and Funding Gap*



Annual Costs = $120M, Annual Revenues = $52.4M, Annual Gap = $67.7M

* Includes Public and Private Costs Statewide

Vermont Total Annualized Clean Water Costs, Revenues and Funding Gap*



Annual Costs = $120M, Annual Revenues = $52.4M, Annual Gap = $67.7M

* Includes Public and Private Costs Statewide

Revenue Evaluation Criteria

Revenue Potential

Predictability

Sufficiency

Effect on Outside Dollars

Economic Impact

Nexus to Water Quality

Promotes Mitigation

Administration and Compliance

Accountability

Geographic Distribution

Income Equity

Other Criteria

Revenue Sources

Summary of Revenue Sources and
Revenue Criteria Exercise

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Categories of Revenue Sources

Category 1	Existing Revenue Source
Category 2	Revenue Options: Act 138 (2013) and Act 97 (2014) Legislative Reports
Category 3	Revenue Options: Stakeholder Suggestions
Category 4	Re-Appropriation of Existing Funds

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Category 1: Existing Revenue Source

Clean Water Surcharge on Property Transfers

Annual Revenue Amount:

- 0.2 Percent surcharge on the transfer of certain properties = $4.7Million - $5 Million

Description:

- The existing revenue source for the Clean Water Fund.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Category 2

Revenue Options: Act 138 (2013) and Act 97 (2014) Legislative Reports

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$50 Annual Flat Parcel Fee

Annual Revenue Amount:

- $50 annual flat parcel fee = $16.7 Million

Description:

- Applies annually to all parcels regardless of their acreage and impervious surface.

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$3 Per Acre Per Parcel Fee

Annual Revenue Amount:
$3 per acre per parcel fee = $15 Million.

Description:
- Applies annually to all parcels.
- Does not account for impervious surface.

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Impervious Surface Tiered Acreage Fee

Annual Revenue Amount:

- $18 Million

Description:

- Based on the amount of impervious surface per acre per parcel.

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Impervious Surface Tiered Parcel Fee

Annual Revenue Amount:

- $18 Million

Description:

- Uses the same general approach as tiered acreage impervious surface fee.
- Applies to parcels based on their use code.
- Does not account for acreage.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Property Tax

Annual Revenue Amount:

- $0.01 property tax increase = $8 Million

Description:

- Increases Vermont property taxes by $0.01 per $100 of property value.
- $4 Million would come from the homestead property tax.
- Remaining $4 Million would come from the nonresident property tax.
- Revenues currently applied to the Education Fund.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Surtax on Personal Income Tax Liability

Annual Revenue Amount (4 Options):

- $7 Million – 1 percent of current revenues.
- $13.3 Million - 0.1 percent increase applied to the rate of each tax bracket (i.e. 3.55 percent increased to 3.65 percent).
- $5.5 Million: Bottom tax rate remains at 3.55 percent; other rates increased by 0.1 percent.
- $2.8 Million: Bottom two brackets remain at 3.55 percent and 7.8 percent and other rates raised by 0.1 percent.

Description:

- Vermont's Personal Income Tax features a progressive rate schedule that ranges from 3.55 percent to 8.95 percent.
- Applies at an increasingly higher rate as a filer's taxable income increases.

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Excise Tax on Motor Fuels

Annual Revenue Amount:

- $0.01 increase per gallon of gas = $3 Million.
- $0.01 tax per gallon of diesel = $690,000.

Description:

- Increases the tax rates on motor fuels.
- Targets the additional revenues for the Clean Water Fund.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Fertilizer Tonnage Fee

Annual Revenue Amount:

- Doubling the agriculture fertilizer tonnage fee from $0.50 to $1 = $19,000.
- Increasing the agriculture fertilizer tonnage fee to $25 = $930,000.
- Increasing the non-Agriculture fertilizer fee by $1 = $6,000.

Description:

- Administered by the Agency of Agriculture, Food & Markets.
- Supports AAFM capacity.
- Applies to fertilizer distributors.
- Based on the volume (tons) of fertilizer distributed.
- Was doubled at the 2016 legislative session from $0.25 to $0.50 per ton, and the non-ag fee increased from $0.25 to $30 per ton.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Excise Tax on Flushable Consumer Products

Annual Revenue Amount:

- Excise tax of 1 percent = $1.35 Million

Description:

- Applies to flushable products due to contribution to wastewater stream.
- Includes soaps, shampoos, toothpastes, detergents, cooking oils, lotions, perfumes and other products that are deemed “safe” for flushing down a toilet.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer’s Office. The projections and descriptions are provided for the purpose of public information and discussion.

Excise Tax on Bottled Water Containers

Annual Revenue Amount:

- $0.01 per container = $1 Million

Description:

- No bottled water excise tax in Vermont.
- Bottled water is exempt from the state's general sales & use tax and the bottle redemption fee.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Escheating Unclaimed Beverage Container Deposits

Annual Revenue Amount:

- $1.5 Million - $2 Million

Description:

- collects the unclaimed beverage container deposit fees from distributors.
- Are fees that consumers, who purchased beverages and paid a deposit fee to distributors, did not receive, because they chose not to return the beverage container to collect the deposit fee.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

DEC Fines for Non-Compliance

Annual Revenue Amount:

- $200,000

Description:

- Relates to environmental violations, including water quality violations.
- Diverts revenues from the General Fund to the Clean Water Fund.

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Agency of Agriculture Fines for Non-Compliance

Annual Revenue Amount:

- Agency of Agriculture penalties = $175,000 - $230,000.
- Vermont Office of Attorney General agriculture water quality violations in 2016 = $24,750; in 2014: $118,000.

Description:

- AAFM penalties go into an Agency of Agriculture special fund.
- Attorney General-generated penalties go to the General Fund.
- Diverts revenues to the Clean Water Fund.

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Category 3

Revenue Options: Stakeholder Suggestions

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Sales Tax on Nail Salons

Annual Revenue Amount:

- $2.23 Million

Description:

- Sales tax does not currently apply to these services.
- Extends the sales tax to these services due to contribution to wastewater stream.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Sales Tax on Beauty Salon Services

Annual Revenue Amount:
$4.3 Million

Description:
- Sales tax does not currently apply to these services.
- Extends the sales tax to these services due to contribution to wastewater stream.

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End Exemption on Ski Lifts and Snowmaking Equipment

Annual Revenue Amount:

- $1.5 Million - $2 Million

Description:

- Property tax does not currently apply to ski lifts and snowmaking equipment.
- Directs revenues to the Clean Water Fund.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Current Use: Apply a 90% Discount to all Property Enrolled in Current Use

Annual Revenue Amount:

- $4.5 Million

Description:

- Replaces current system with simpler model.
- Current system applies use values determined by the UVA board.
- New model applies a tax to all enrolled property at 10% of its listed value (90% discount).

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Sales Tax on Marinas

Annual Revenue Amount:

- $210,000

Description:

- Sales tax does not currently apply to these services.
- Extends the sales tax to these services.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Sales Tax on Parking (Lots and Garages)

Annual Revenue Amount:

- $280,000

Description:

- Sales tax does not currently apply to these services.
- Extends the sales tax to these properties due to the impervious surfaces that generate stormwater runoff.

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Sales Tax on Limousine Services

Annual Revenue Amount:

- $610,000

Description:

- Sales tax does not currently apply to these services.
- Extends the sales tax to these services.

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Sales Tax on Storage Units

Annual Revenue Amount:

- $940,000

Description:

- Sales tax does not currently apply to these services.
- Extends the sales tax to the rental of these storage units due to the impervious surfaces that generate stormwater runoff.

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Sales Tax on New Car Dealer Labor Charges, Work Under Warranty, and Value of Service Contracts

Annual Revenue Amount:

- $4.8 Million

Description:

- Sales tax does not currently apply to these services.
- Extends the sales tax to the these services.

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Sales Tax on General Auto Repair

Annual Revenue Amount:

- $6.2 Million

Description:

- Sales tax does not currently apply to these services.
- Extends the sales tax to the these services.

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Automobile Inspection Sticker Fee

Annual Revenue Amount:

- $1 increase = $585,000.

Description:

- Increases fee from $6 to $7.
- Directs revenues to the Clean Water Fund.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Surtax on Rental Cars

Annual Revenue Amount:

- 1 percent surtax on rental cars = $480,000.

Description:

- Raises the rental vehicle tax from 9 percent to 10 percent.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Surtax on the Sales & Use Tax

Annual Revenue Amount:

- 0.1 percent increase = $6 Million.

Description:

- Increase Sales & Use Tax from 6 percent to 6.1 percent.
- 35 percent of current revenues is applied to the Education Fund.
- 65 percent of current revenues goes to the General Fund.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Surcharge on Rooms

Annual Revenue Amount:

- $1 per night surcharge on rooms = $3.6 Million.

Description:

- Applies to all rooms or units that are rented by Rooms Tax filers.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Surtax on Meals & Rooms

Annual Revenue Amount:

- 0.25 percent increase = $3.7 Million Total
  - 0.25 percent increase = $2.5 Million from Meals
  - 0.25 percent increase = $1.2 Million from Rooms

Description:

- Raises Meals and Rooms tax from 9 percent to 9.25 percent.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Surtax on Alcoholic Beverages

Annual Revenue Amount:

- 0.25 percent increase = $500,000

Description:

- Raises Alcoholic Beverages Tax from 10 percent to 10.25 percent.

NOTE: These sources were proposed through the stakeholder process and are not recommendations or endorsements by the Treasurer's Office. The projections and descriptions are provided for the purpose of public information and discussion.

Voluntary Contribution Line Item on the Personal Income Tax Form

Annual Revenue Amount:

- $30,00 - $100,000

Description:

- Current tax form includes four items for voluntary contribution.
- Adds a fifth line-item for the Clean Water Fund.

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Category 4

Re-Appropriation of Existing Funds

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Category 4:
Re-Appropriation of Existing Funds

Open Discussion

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Public Comment Open from November 16-December 1

Please send via email to:

treasurers.office@Vermont.gov

Website

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