

The Vermont Clean Water Fund Board

Working Meeting Minutes

Date/Time: Friday, February 10, 2017, 2:30pm-4:00pm

Location: Agency of Natural Resources, National Life, Davis Building, Catamount Room

Clean Water Fund (CWF) Board Members/Designees

- Joe Flynn, Secretary, Agency of Transportation (VTrans)
- Julie Moore, Secretary, Agency of Natural Resources (ANR)
- Michael Schirling, Secretary, Agency of Commerce and Community Development (ACCD)
- Anson Tebbetts, Secretary, Agency of Agriculture, Food and Markets (AAFM)
- Susanne Young, Secretary, Agency of Administration (AoA), CWF Board Chair

Attendees

- Emily Bird, Department of Environmental Conservation (DEC)
- Diane Bothfeld, Deputy Secretary, AAFM
- Kari Dolan, DEC
- Daniel Dutcher, VTrans
- Rebecca Ellis, DEC
- Neil Kamman, DEC
- Joanna Pallito, DEC
- Beth Pearce, State Treasurer
- Alyssa Schuren, Office of the State Treasurer
- Sue Scribner, VTrans
- Andrew Stein, Vermont Department of Taxes
- Sam Winship, Department of Finance and Management (F&M)

Vote: CWF Board Chair

Administration Secretary Susanne Young

- Administration Secretary Susanne Young elected as CWF Board Chair

Board History, Status of Fund Revenues and the CWF Budget Process

DEC Clean Water Initiative Program Manager Kari Dolan

CWF Board History

- CWF and CWF Board established under the Vermont Clean Water Act (2015 Act 64)
- Purpose of the Fund is to implement water quality improvements statewide, targeting water quality improvements under nutrient restoration plans known as total maximum daily loads (TMDLs)
- The CWF Board, made up of Clean Water Initiative (CWI) partner agency secretaries, is charged with managing the CWF with staff support from three subcommittees: Finance

and Reporting Subcommittee, Technical Subcommittee, and Communications Subcommittee

Budget Process

- Reviewed CWF budget processes for state fiscal year (SFY) 2018 (nearly complete; completed milestones checked-off) and proposed draft budget processes for SFY 2019 (see meeting materials)
- Public process milestones and opportunities for public input on the budget process and CWF allocations are highlighted in yellow in the budget process diagrams

Status of Fund Revenues

Andrew Stein, Research Economist, Vermont Department of Taxes

- Provided overview of the property transfer surcharge (current/only CWF revenue source) established through Act 64 in June 2015 and due to sunset at the end of June 2018/close of SFY 2018 (see Clean Water Surcharge factsheet: http://dec.vermont.gov/sites/dec/files/wsm/erp/docs/2016-09-07_Clean_Water_Surcharge_Matrix.pdf)
- This year's revenue forecast for revenue is \$4.9 million

Clean Water Legislative Update

Agency of Natural Resources Secretary Julie Moore

Bill H.38 Update

- H.38 (i.e., An act relating to the membership of the CWF Board) proposes adding six members to the existing CWF Board
- The Bill passed the House and is now in the Senate; Senator Bray intends to take up the Bill
- CWF Board secretaries support the Bill, but recommend adding four members instead of six so that the secretaries will still be the majority; the additional Board members would be appointed by the legislature and exclude legislators; Secretary Young and Treasurer Pearce will work with Senator Bray to adjust the proposal on expanded Board membership
- For the additional Board members, there is a clear interest in municipal representation with potential geographic distribution criteria; also, interest in potential watershed group representation
- The driver for expanding Board representation is to provide continuity on the Board during changes in administration, and to address concerns regarding public participation in the CWF budget process prior to the more robust public process developed for the SFY2018 budget process
- Question raised on level of public attendance during Board meetings; response: CWF Board meeting public attendance varies depending on topic addressed; meetings discussing CWF allocations are typically well attended; however, additional public/stakeholder outreach meetings have been added to the budget process (e.g., clean

water conversations) that brings public participation opportunities to public/stakeholder groups in addition to opportunities for those groups to attend meetings in Montpelier

Proposed Additional Clean Water Appropriations

- Governor's Proposed Capital Bill for SFY 2018-2019 includes a total \$21.7 million in clean water appropriations
- This proposal is consistent with the Office of the State Treasurer Clean Water Report recommendations (see page 20) for the State to use capital funds to subsidize approximately half of the annual clean water funding gap (approximately \$50 million) for the first two years, allowing time for establishing the longer term CWF revenue sources
- In the first two years, this will likely primarily include capital dollars; ANR is working with the Office of the State Treasurer to determine capital eligible projects and how they align with the clean water funding needs/gap
- These funds are intended to cover stormwater, agriculture, and wastewater pollution controls and natural resources restoration

Overview of the Treasurer's Report on Clean Water

State Treasurer Beth Pearce

- Pursuant to Act 64, the Office of the State Treasurer worked with ANR-DEC and other agency partners to develop CWF funding/financing recommendations to the legislature
- In the process of developing these recommendations, over 23 stakeholder meetings were held reaching more than 1,000 stakeholders to solicit input on funding needs and gaps and potential revenue sources
- Vermont Department of Taxes modeled more than 60 revenue options
- The parcel fee is the top recommended revenue option, having nexus to the water quality problem; the parcel fee is tiered based on impervious cover – a structure that would drive toward polluters paying more
- Need to balance revenue sources with administration of the fee, and ensure revenue sources are reliable and not competing with other needs
- If the State does not establish a long term clean water funding source, these costs of compliance with regulation will be absorbed by municipalities, farmers, and other landowners/managers
- In the meantime, as the recommended revenue sources are pursued, the Office of the State Treasurer's Clean Water Report recommended pursuing a short-term solution providing \$25 million in capital funding per year in SFY 2018-2019
- During this time, it will be important for the partner agencies to demonstrate the ability to award funding to priority projects and report on project results; also, important to focus on securing funding needed to bridge the clean water funding gap, and developing a delivery system for the funding
- Office of the State Treasurer is awaiting feedback from the Bond Council on capital eligibility of different project types needed to meet the State's clean water needs, including definition of infrastructure projects

Questions/Discussion

- The additional clean water appropriation from SFY 2018-2019 may be directed to agencies or channeled through AoA and the CWF budget process (typically 18-month process); Treasurer Pearce recommended directing funding to agencies or developing an expedited CWF budget process
- Working with the House Clean Water Working Group on a plan for clean water funding and where funds will be directed; Working Group interested in setting criteria for how the clean water funding will be allocated, possibly applying a percent to funding by sector
- DEC coordinating with Working Group to present current channels of funding and overlay with policy recommendations; if funds are not directed through the CWF budget process, the Board will not need to make a recommendation on allocation of funds; however, CWF Board could make recommendations to legislative Working Group on the process/criteria for funds to be allocated; additional CWF Board working meeting to be scheduled to discuss further
- CWF current revenue source is the property transfer surcharge, which sunsets at the close of SFY 2018 (i.e., June 30, 2018); House Committee on Natural Resources, Fish and Wildlife is working to extend the surcharge
- Acknowledged that the role of the CWF Board is critical for administering the funds and shepherding the interagency Clean Water Initiative Annual Investment Report that presents State investments in clean water and the results of those investments
- Treasurer Pearce requested additional briefing from VTrans on how road funding would be used and awarded to projects

Overview of Tactical Basin Planning and How Projects are Identified

DEC Monitoring, Assessment & Planning Program Manager Neil Kamman

- See attached presentation slides

Tracking the State's Clean Water Investments and the Vermont Clean Water Initiative 2016 Investment Report

DEC Clean Water Initiative Program Staff Emily Bird

- See attached presentation slides

Comments from the Public

Administration Secretary Susanne Young

- No members of the public present to comment

Summarize Next Steps; Adjourn

Administration Secretary Susanne Young

- CWF Board working meeting to be scheduled week of February 20, 2017