

Clean Water Board State Fiscal Year 2026 Clean Water Budget Policy Document

Final Recommended December 3, 2024

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Introduction

The State Fiscal Year (SFY) 2026 Clean Water Budget Policy provides narrative on the budget drafting approach and purpose/scope of funds under each program/line item in the budget. This document provides transparency on the intent of the Clean Water Board’s budget recommendation. It also supports agencies in implementing programs in a manner consistent with the intent of the Board and how the Budget was presented to the public.

This SFY 2026 Clean Water Budget Policy contains the following information:

- SFY 2026 Clean Water Budget at a Glance;
- The final SFY 2026 Clean Water Budget recommendation sheet;
- Summary of budget drafting approach for SFY 2026; and
- SFY 2026 Clean Water Budget line-item descriptions of each budget program/activity.

This Policy Document is technical in nature. Additional educational materials on the Clean Water Budget are posted [Clean Water Board webpage](#) and the [Clean Water Budget Story Map](#).

State Fiscal Year 2026 Clean Water Budget at a Glance

State Fiscal Year 2026 Clean Water Budget by Funding Source

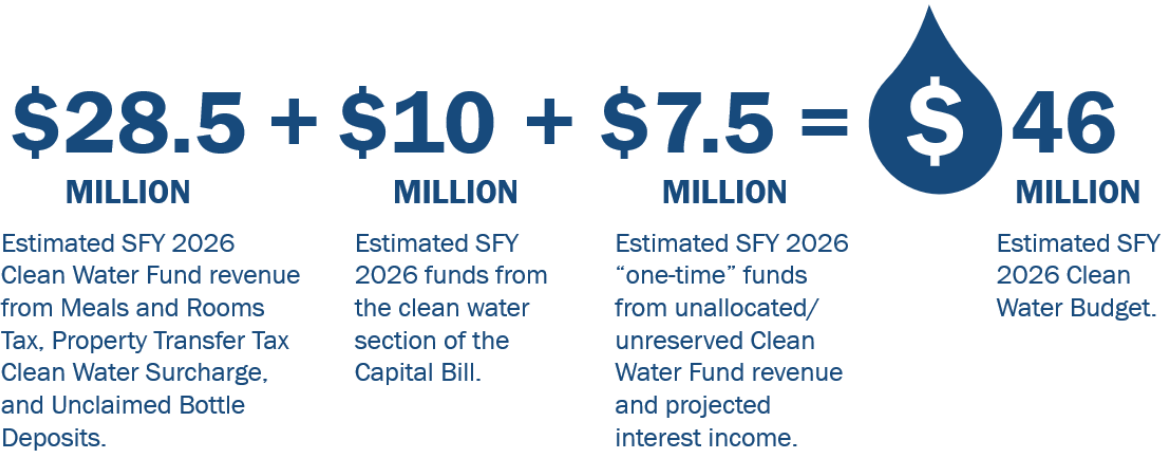


Figure 1: State Fiscal Year 2026 Clean Water Budget totals by funding source. The SFY 2026 Clean Water Budget totals approximately \$46 million, and is made up of:

- \$28.5 million in forecasted SFY 2026 Clean Water Fund revenue,
- \$10 million from the clean water section of the Capital Bill, and
- \$7.5 million in “one-time” funds from unallocated/unreserved Clean Water Fund revenue and projected interest income.

See page 5 of the SFY 2026 Policy Document for the final SFY 2026 Clean Water Budget recommendation sheet.

State Fiscal Year 2026 Clean Water Budget by Priority Tier

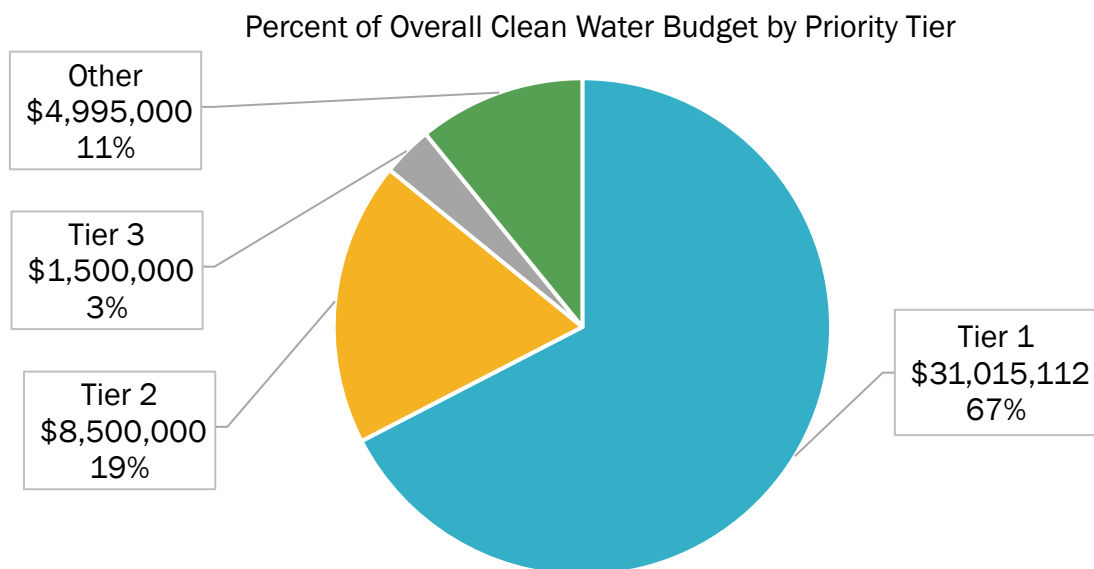


Figure 2: Percent of Overall Clean Water Budget by Priority Tier. The Clean Water Board separates funding programs into Tiers 1-3 and Other, where the highest priority programs are considered Tier 1 and the lowest priority programs are considered Tier 3 or Other. Statute determines for the Board which types of programs are first, second, and third priority. This pie chart summarizes how the total Clean Water Budget, including both Clean Water Fund and Capital Bill dollars, is allocated across priority tiers: 67% is allocated to Tier 1 initiatives, 19% to Tier 2 initiatives, 3% to Tier 3 initiatives, and 11% to “other” initiatives. The Board allocates more funding towards higher priority tiers. These tiering percentages will differ when looking at the Clean Water Budget by Clean Water Fund and Capital Bill funding source.

See page 8 of the SFY 2026 Policy Document for more details.

Clean Water Budget by Funding Source and State Fiscal Year

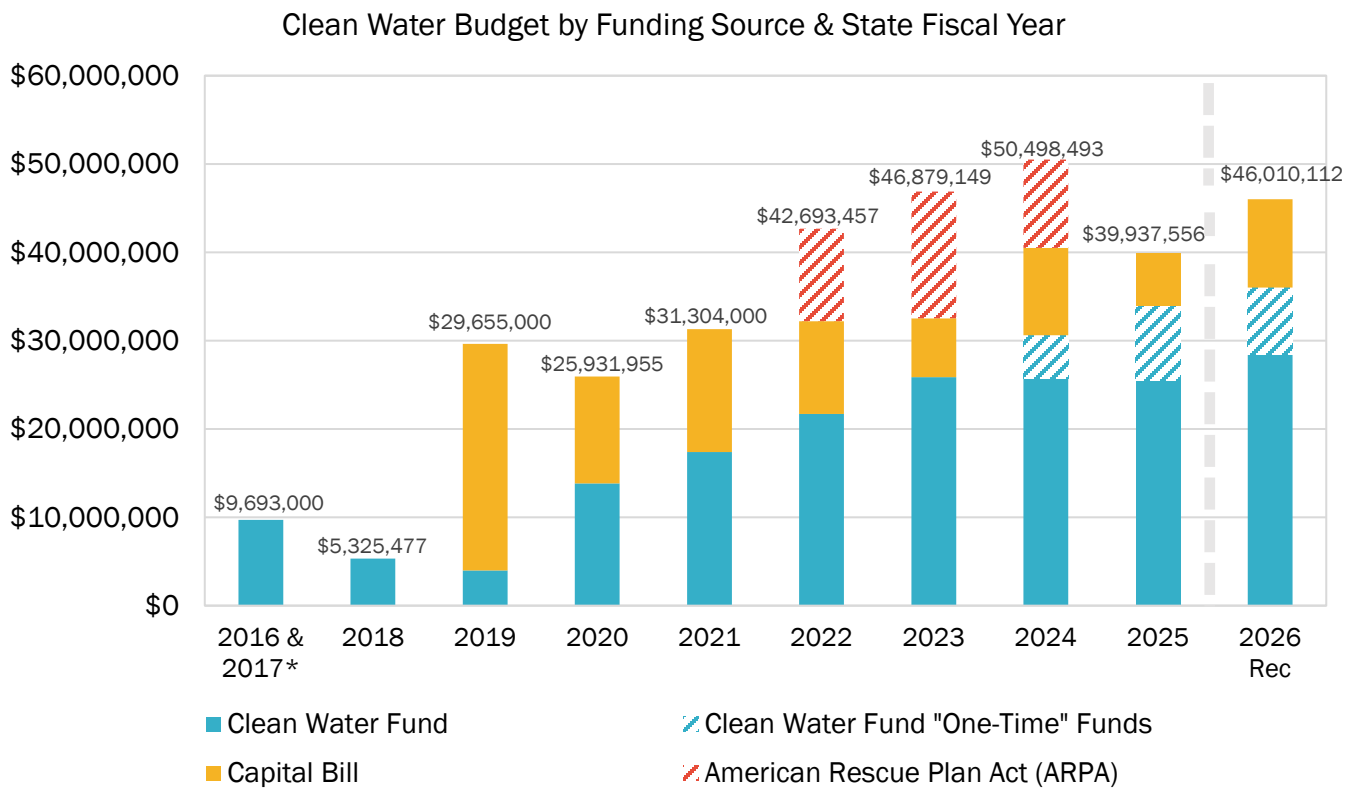


Figure 3: Clean Water Budget by Funding Source and State Fiscal Year (SFY). This bar chart shows the full recommended SFY 2026 Clean Water Budget (far right vertical bar) compared to prior fiscal year approved budgets (SFY 2016-2025). The SFY 2026 Budget represents a \$6 million increase compared to SFY 2025. This positive change is because of recent economic trends and the effect of interest income on fund balance.

Summary of SFY 2026 Clean Water Budget Drafting Approach

The SFY 2026 Clean Water Budget was developed with the following considerations.

1. Anticipated budget targets (i.e., total amounts by funding source) were pulled from the following sources.
 - a. Projected total SFY 2026 Clean Water Fund revenue was pulled from the December 2024 Clean Water Fund Operating Statement, which projects approximately \$28.5 million in revenue.
 - i. The Board has also recommended projecting a conservative amount of interest income in SFY 2026 (\$0.5 million). Interest income is generated based on the overall Clean Water Fund balance, including all unexpended dollars from prior and current year revenues. Interest income is difficult to project and will vary year-to-year depending on interest rates and the rate of cashflow/expenditures from the Fund. Interest income is not anticipated to be available as a long-term source for budgeting and is programmed as one-time funds.
 - b. The Agency of Administration recommends applying a \$10 million budget target for the Clean Water section of the Capital Bill in SFY 2026 for recommendation by the Clean Water Board. The Capital Bill operates on a biennial basis, with the 2025 Capital Bill covering SFY 2026-2027.
 - c. The December 2024 Clean Water Fund Operating Statement projects a total balance of roughly \$7 million in unallocated/unreserved revenue (defined as follows) available for allocation in SFY 2026, *if SFY 2025 revenue and interest income perform as currently projected*. The final SFY 2026 Clean Water Budget recommendation fully allocates \$7 million in unallocated/unreserved revenue as one-time funds to maximize the availability/use of funds on the ground.
 - i. Unallocated/unreserved Clean Water Fund revenue definition:
Unallocated/unreserved balances materialize when actual revenue received exceeds projections and/or when revenue forecast upgrades are made after the Board's budget recommendation or its passage. Since the prior (SFY 2024) and current (SFY 2025) fiscal years already have approved budgets, any increases in revenue, whether actual or projected, become available as one-time surpluses in the following (SFY 2026) budget development process.
 - ii. Unallocated/unreserved revenue available for allocation in SFY 2026 are a combination of actual balances at the close of SFY 2024 and projected balances based on SFY 2025 revenue projections. The increase is due to two main factors.
 1. The first is the effect of recent economic trends which lifted SFY 2024 actual revenues and SFY 2025 projected revenues. The continuation of unallocated/unreserved revenue surpluses are likely the result of macroeconomic trends coming out of COVID-19 pandemic and the impact of federal stimulus funding on Vermont's economy. Availability of

unallocated/unreserved revenue is not expected to continue in future years.

2. The second is the effect of the interest income on the Clean Water Fund balance. At the close of SFY 2024, the Fund accrued an unanticipated \$2.6 million in interest revenue that similarly has rolled forward to be budgeted as one-time funds this budget year. The Board has also recommended projecting a conservative amount of interest income in SFY 2025 (\$1 million) included in the unallocated/unreserved balance to be budgeted as one-time funds in SFY 2026.
2. “Base” SFY 2026 funding allocations were recommended per line item based on SFY 2026 Clean Water Fund revenue projections and anticipated Capital Bill allocations. Funding levels are informed by agency staff knowledge of the line item’s demand and capacity.
 - a. Base funding levels were allocated with the goal of maintaining funding program stability, in-pace with long-term program growth/demands, where feasible, without relying on short-term influxes of revenue or federal dollars.
 - b. Base funding levels are also critical to maintain the non-federal match necessary to leverage ongoing/core federal dollars. This includes the Department of Environmental Conservation’s (DEC) match to the Lake Champlain Basin Program and the Clean Water State Revolving Loan Fund (CWSRF) federal grants and significant contribution to the U.S. Department of Agriculture-Natural Resources Conservation Service (USDA-NRCS) Regional Conservation Partnership Program (RCPP). This also includes Agency of Agriculture, Food and Market’s (AAFMM) funds necessary to leverage USDA-NRCS federal funds and to provide significant contribution to the U.S. Department of Agriculture-Natural Resources Conservation Service (USDA-NRCS) Regional Conservation Partnership Program (RCPP).
3. Base SFY 2026 funding needs were then proposed to be met with Clean Water Fund and/or Capital Bill sources, applying the following approaches.
 - a. Maximize use of Capital Bill dollars for capital-eligible activities (generally, design/engineering and construction for projects with minimum 10-year lifespan) and reserve Clean Water Fund dollars to support non-capital eligible activities (such as project identification and development efforts);
 - b. Limit Capital Bill dollars to as few line items as possible for administrative purposes focused on traditionally Capital-funded programs for consistency; and
 - c. Reserve Clean Water Fund dollars for Clean Water Fund statutory priorities ([10 V.S.A. § 1389](#)).
4. Short-term influxes of revenue were then allocated as “one-time” funds. One-time funds available for allocation in SFY 2026 are based on \$7 million in unallocated/unreserved revenue projected for close of SFY 2025 (a combination of prior year actual and projected unallocated/unreserved Clean Water Fund revenue and interest income) and \$0.5 million of interest income projected during SFY 2026. Allocating short-term influxes in revenue as one-

time funds is intended to avoid scaling-up ongoing/long-term programs at an unsustainable rate that would later need to be contracted.

- a. One-time funds were allocated in separate columns from base funds in the final SFY 2026 Clean Water Budget recommendation, with the targeted goals to fill discrete/short-term gaps, such as
 - i. Funds to maximize leveraging federal funds, including Inflation Reduction Act federal funds for agricultural projects,
 - ii. Funds to mitigate impacts of flood events on clean water partner organizational capacity and clean water project performance,
 - iii. Seed funds to initiate and leverage financing structures for stormwater and forestry regulatory compliance, and
 - iv. Funds for updated Municipal Road General Permit Road Erosion Inventory reassessments.
5. The Clean Water Fund statutory priorities ([10 V.S.A. § 1389](#)) establish Tier 1, 2, and 3 priorities for the Clean Water Budget. The prioritization approach generally aims to allocate 60% of the budget to Tier 1 initiatives, 30% to Tier 2 initiatives, and 10% to Tier 3 and “other” initiatives, with flexibility to modify each year factoring availability of other funds. The SFY 2026 prioritization approach maintained the intent of the Clean Water Fund statutory priorities ([10 V.S.A. § 1389](#)) by investing heavily in Tier 1 initiatives, while also scaling Tier 2 and Tier 3 initiatives appropriately to factor availability of other state/federal funding/financing sources contributing to Clean Water Budget line items/activities. As a result, the SFY 2026 Clean Water Budget allocates funds across priority tiers as follows.

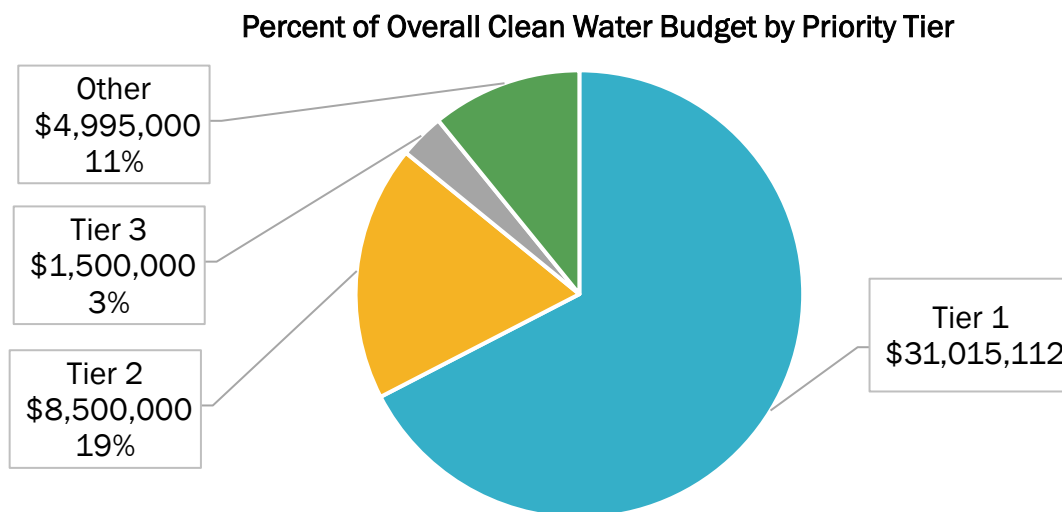


Figure 4: Overall Clean Water Budget Prioritization. Pie chart summarizes how the total Clean Water Budget, including both Clean Water Fund and Capital Bill dollars, is allocated across priority tiers: 67% is allocated to Tier 1 initiatives, 19% to Tier 2 initiatives, 3% to Tier 3 initiatives, and 11% to “other” initiatives. The 19% allocation of overall funds to Tier 2 programs factors availability of Lake Champlain Basin Program federal dollars, Clean Water State Revolving Fund financing, and ongoing ARPA funds to support municipal stormwater implementation. See descriptions of line item 2.24 for more information.

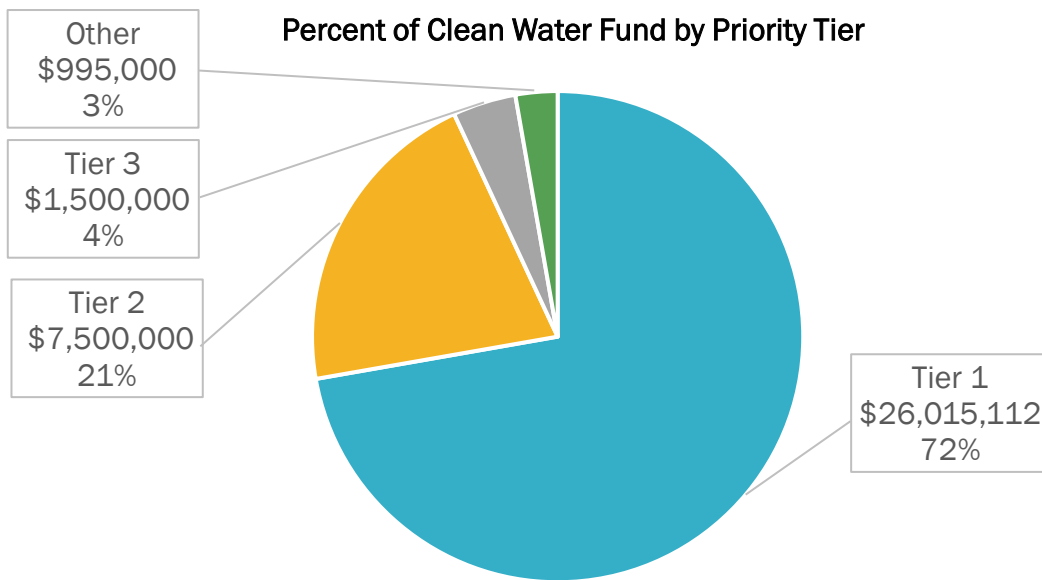


Figure 5: Clean Water Fund Prioritization. Pie chart summarizes how the Clean Water Fund dollars, including base and one-time funds, within the Clean Water Budget are allocated across priority tiers: 72% of Clean Water Fund dollars is allocated to Tier 1 initiatives, 21% to Tier 2 initiatives, 4% to Tier 3 initiatives, and 3% to “other” initiatives. Clean Water Fund dollars are allocated in closest alignment with the Clean Water Fund’s statutory priorities.

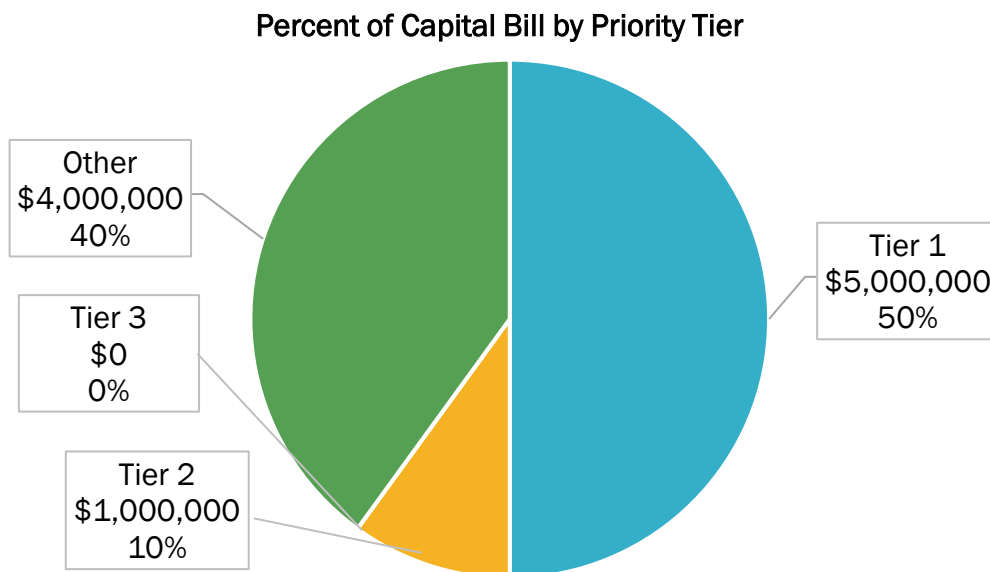


Figure 6: Capital Bill Prioritization. Pie chart summarizes how the Capital Bill dollars within the Clean Water Budget are allocated across priority tiers: 50% of Capital Bill dollars is allocated to Tier 1 initiatives, 10% to Tier 2 initiatives, 0% to Tier 3 initiatives, and 40% to “other” initiatives under the “Capital Bill Priorities” sub header.

6. Finally, the Clean Water Fund Contingency Reserve remains whole at the \$2.5 million level established in the SFY 2024 Clean Water Budget. The Clean Water Board manages the Reserve following the [Clean Water Fund Contingency Reserve Guidelines](#). The Reserve serves two purposes—primarily, to mitigate risk against revenue underperformance, and secondarily, to mitigate risk against Clean Water Project loss.
- a. Activation of the Contingency Reserve for revenue underperformance is not needed at the time of developing the SFY 2026 Clean Water Budget, as revenue are performing within/above the projected range and unallocated/unreserved revenue balances are likely sufficient to fill any gaps between projected/appropriated and actual revenue for the current year (SFY 2025).
 - b. Activation of the Contingency Reserve for Clean Water Project loss is also not needed at the time of developing the SFY 2026 Clean Water Budget, as there have been no reported project losses for projects implemented/adopted under Water Quality Restoration Formula Grants.
 - i. Currently, Contingency Reserve funds for Clean Water Project loss are only eligible for projects implemented/adopted under Water Quality Restoration Formula Grants. As stated in the Contingency Reserve Guidelines, “The State of Vermont relies on Water Quality Restoration Formula Grants awarded to Clean Water Service Providers to meet the non-regulatory portion of pollution load reductions required to achieve the Lake Champlain and Lake Memphremagog phosphorus total maximum daily loads (TMDLs).¹ Clean Water Projects implemented under the Formula Grant program are not compelled by regulation but are necessary in most cases to successfully meet water quality standards. The State of Vermont provides financial and technical assistance to Clean Water Service Providers and a network of project implementers to support non-regulatory Clean Water Project implementation and long-term operation and maintenance. As such, the state has formalized its reliance and stake in the long-term performance of Clean Water Projects.”
 - ii. Non-regulatory projects funded outside of Formula Grants impacted by floods/extreme weather may be able to access funds under the Program and Partner Support line 1.52. See “Program and Partner Support” under Agency of Natural Resources’ SFY 2026 Clean Water Budget Line-Item Descriptions for more information.
 - c. A change in the Contingency Reserve funding level is not currently advised. The \$2.5 million value is expected to be sufficient to guard against risk of revenue underperformance and there are currently no reported project losses that would trigger activation of the Reserve.

¹ [Phosphorus Total Maximum Daily Loads for Vermont Segments of Lake Champlain](#) (i.e., Lake Champlain phosphorus TMDLs) and [Lake Memphremagog Phosphorus Total Maximum Daily Load](#) (i.e., Lake Memphremagog phosphorus TMDL)

SFY 2026 Clean Water Budget Line-Item Descriptions

Organized alphabetically by agency.

Agency of Administration (AoA)

Line 4.2: Stormwater Utility Payments

- This line item is no longer a statutory obligation and is not reflected as a tiered priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e).

The Clean Water Board has awarded monies to support the establishment and maintenance of stormwater utilities (up to \$25,000 per year per municipality for five years). At the time of developing this SFY 2026 Clean Water Budget, six municipalities have established stormwater utilities: Williston, Colchester, South Burlington, St. Albans City, St. Albans Town, and Burlington. Five years of incentive payments have been budgeted for all stormwater utilities except St. Albans Town, as of SFY 2025. Therefore, the SFY 2026 budget proposes to provide funds to St. Albans Town for the fifth and final year of the five-year commitment. Municipalities are only eligible to receive stormwater utility payments if the utility is established/operational with a dedicated revenue/funding source. These funds are appropriated through the Agency of Administration.

Line 4.6 Non-Federal Match

- This line item is not a statutory obligation and is not reflected as a tiered priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e). However, this line item will support leveraging federal funds to support Clean Water Fund/Budget priorities.

Recent federal legislation like the Infrastructure Investments and Jobs Act / Bipartisan Infrastructure Law (IIJA/BIL) and the federal Inflation Reduction Act (IRA) have significantly increased funding available for certain Clean Water Board priorities. These federal investments can take the form of supplemental (non-competitive) awards or new competitive grant opportunities. Having funds designated as non-federal match will help ensure the state is able to engage with emergent competitive grant opportunities and make the most of these historical investments. Non-federal match dollars would be used to supplement activities/programs within the scope of the Clean Water Budget. This one-time appropriation takes advantage of anomalously high interest revenue earned by the Clean Water Fund in recent years, a trend not expected to continue in the long term.

Agency of Agriculture, Food and Markets (AAFM)

Line 1.4: Water Quality Grants to Partners and Farmers

- This line item and all associated funding initiatives reflects a Tier 1 priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e)(1)(C). This line item is funded with Clean Water Fund, and Capital Bill dollars.

Capital Bill dollars: AAFM provides grants and contracts for capital expenditures that include the installation of best management practices (BMPs) on farms in Vermont. BMPs are site-specific on-farm conservation practices implemented to address the potential for agricultural pollutants to enter the waters of the state. Below is a summary of the programs connected with the Capital Bill for this line item. These programs are primarily funded from the Capital Bill.

- Best Management Practices (BMP) Program, 6 V.S.A. §§ 4820 – 4826. Eligible practices may include manure and agricultural waste storage facilities, composting stack pads, silage leachate collection, laneway development & stream crossings, and clean water diversions. BMP funds are awarded directly to farms by AAFM and are primarily used to support farms in offsetting part of the federal cost share requirements to access/leverage federal funding through U.S. Department of Agriculture Natural Resources Conservation Service (NRCS). BMP funds provide additional cost-share to farms on a project (roughly 10-60%). This support for farm cost share reduces barriers to farms being able to access federal funds. However, these funds can also be used to implement state-only projects that don't have access to federal funding or need to be accomplished on a more expedient timeline for pollution control.
- Conservation Reserve Enhancement Program (CREP), 6 V.S.A. § 4829. The program funds 15-year water quality agreements to install perennial grass or woody vegetation within buffers. This program receives a 4:1 federal to state program match.
- Grassed Waterway and Filter Strip (GWFS) Program, 6 V.S.A. § 44831. The GWFS Program can provide technical and financial assistance to Vermont farmers for in-field agronomic best practices to address critical source areas, erosion, and surface runoff. Eligible practices include establishment of grassed waterways, filter strips, and critical source field area seedings that will remain established for 10 years.
- Capital Equipment Assistance Program, 6 V.S.A. § 4828. Financial assistance is available for new or innovative equipment that will aid in the reduction of surface runoff of agricultural wastes to state waters, improve water quality of state waters, reduce odors from manure application, separate phosphorus from manure, decrease greenhouse gas emissions, and reduce costs to farmers.
- Agricultural Environmental Management (AEM) Program, 6 V.S.A. 4830. The AEM Program is established to provide farms of Vermont with state financial assistance to alternatively manage their farmstead, cropland, and pasture in a manner that will address identified water quality concerns that, traditionally, would have been wholly or partially addressed through federal, state, and landowner investments in BMP infrastructure, in agronomic practices, or both.

Clean Water Funds: AAFM administers grants and contracts that are supported with non-capital Clean Water Funds under the following programs:

- Farm Agronomic Practices (FAP) Program, 6 V.S.A. § 4832. The FAP Program utilizes state funding to help Vermont farms implement soil-based agronomic practices that improve soil quality and health, increase crop production, and reduce erosion and agricultural waste discharges. The FAP Program also provides education and instructional activity

grants to support outreach regarding current state agricultural water quality regulations and the impacts of agricultural practices on water quality. Eligible practices include cover cropping, crop to hay rotation, crop to hay rotation with nurse crop, conservation tillage, no till pasture and hayland renovation, rotational grazing, manure injection, and educational or instructional activities.

- The Agricultural Clean Water Initiative Program (Ag-CWIP) is AAFM's grant funding program made possible by the Clean Water Fund, created by Act 64 of 2015 (i.e., the Vermont Clean Water Act). Funding is awarded to a wide variety of partner organizations through various grant opportunities such as Education and Outreach, Technical Assistance, Organizational Development, Farm Conservation Practice Surveys, Innovative Nutrient Reduction activities and more. This funding develops and supports the continual improvement of water quality across the State of Vermont by supporting local and regional organizations to provide farmers with education and outreach, technical assistance, identifying and implementing BMPs, conservation planning, and more. This program supports agronomic technical support previously supported under the Agronomy and Conservation Assistance Program (ACAP).

Line 1.51: Program Support

- This line item supports program work that directly supports statutory obligations and Tier 1 priorities for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e).

This line item supports a portion of the Water Quality Program staff and operating costs from the Clean Water Fund. The necessary increase in staffing occurred as part of the Vermont Clean Water Act development process and allows the AAFM to meet the [Phosphorus Total Maximum Daily Loads for Vermont Segments of Lake Champlain](#) (i.e., Lake Champlain phosphorus TMDLs) and statewide on farm inspection and technical assistance goals for achieving water quality improvements.

Agency of Commerce and Community Development (ACCD)

Line 4.3: Better Connections (Stormwater Planning) and Downtown Transportation Fund

- This line item is not a statutory obligation and is not reflected as a tiered priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e).

Better Connections is an award-winning interagency grant program (VTrans, ACCD, ANR, Vermont Department of Health) that supports the implementation of local projects to increase local transportation options, build resilience, and revitalize communities. Funding helps municipalities incorporate stormwater management strategies into downtown and village center transportation and community revitalization plans. In partnership with VTrans, the Downtown Transportation Fund helps municipalities incorporate stormwater BMPs into infrastructure improvement projects that make Vermont's downtown areas more pedestrian, bike, and transit friendly.

Due to availability of prior year leftover funds, the SFY 2026 Clean Water Budget continues a temporary pause on funding for this line item, which will be re-evaluated in SFY 2027.

Agency of Natural Resources (ANR)

Line 1.1: Water Quality Restoration Formula Grants to Clean Water Service Providers & Operation and Maintenance (O&M)

- This line item reflects a Tier 1 priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e)(1)(A) and (B).

The Secretary shall administer a Water Quality Restoration Formula Grant Program to award grants to Clean Water Service Providers (CWSPs) to meet the pollutant reduction requirements under 10 V.S.A. § 921-923. The grant amount shall be based on the annual pollutant reduction goal established for the CWSP multiplied by the standard cost for pollutant reduction including the costs of administration and reporting. The standard cost shall include the costs of project identification, project design, and project construction. Additionally, in making recommendations regarding the appropriate allocation of funds from the Clean Water Fund, the Board is directed to prioritize grants to CWSPs to fund the reasonable costs associated with the inspection, verification, operation, and maintenance of clean water projects in a basin, to ensure installed practices continue to realize their phosphorus reduction potential for expected design life. This includes projects across a range of sectors including floodplain and stream restoration, buffer plantings, stormwater management improvements, wetlands restoration, and lake shoreline restoration. CWSPs and their Basin Water Quality Councils will be responsible for determining how Formula Grant allocations are awarded at the project-level, within their respective basins, using state-derived Guidance. Formula Grants will be administered by the ANR-DEC CWIP with technical project management from the ANR-DEC Watershed Planning Program. For more information, [visit the DEC's Clean Water Service Delivery Act webpage](#).

Water Quality Restoration Formula Grants are allocated based on the [Water Quality Restoration Formula Grant Targets and Fund Allocation Methodology, available here](#), with phosphorus reduction targets and budgets scaled down to available funds and partner capacity. The Methodology will be refined periodically by ANR-DEC as new/improved data/information become available. Total Formula Grant estimated need based on targets will be further refined in future budget cycles, pending results from additional planning and analytical tools. ANR-DEC will continue to work with O&M partners to improve O&M cost predictions and establish quantitative budget targets in future years. O&M funding needs are expected to increase over time as more projects reach installation.

Line 1.2: Basin Planning, Basin Water Quality Council Participation, Education, and Outreach

- This line item reflects a Tier 1 priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e)(1)(E).

This line item supports partners' participation and outreach throughout the Tactical Basin Planning process and Basin Water Quality Council participation, pursuant to 10 V.S.A. § 1253(d)(3). Funding shall be at least \$500,000 pursuant to 10 V.S.A. § 1389. Eligible tactical basin planning activities are prescribed in 10 V.S.A. § 1253(d)(3). Funds are provided in the form of annual grants to eligible basin planning partner entities defined in statute. Eligible tasks include assisting the tactical basin planning process through regional coordination, technical

support and outreach, participation in Water Quality Restoration Formula Grants’ Basin Water Quality Councils, water quality monitoring, and municipal bylaw updates identified as priorities in tactical basin plans. Basin planning agreements will be administered by the ANR-DEC CWIP with technical project management from the ANR-DEC Watershed Planning Program.

Line 1.31: Water Quality Enhancement Grants—Statewide Non-regulatory Clean Water Projects

- This line item reflects a Tier 1 priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e)(1)(D) and is designed to meet the statutory intent of 10 V.S.A. § 926.

ANR-DEC CWIP’s “Water Quality Enhancement Grants—Statewide Non-regulatory Clean Water Projects” line item, funded with Clean Water Funds, will fulfill the Water Quality Enhancement Grant Program established in statute to protect high quality waters, maintain or improve water quality, restore degraded or stressed waters, create resilient watersheds and communities, and support the public’s use and enjoyment of the State’s waters. These agreements will be administered by the ANR-DEC CWIP with technical project management from staff in the Clean Water Initiative Program and Watershed Management Division.

The ANR-DEC CWIP achieves the statutory intent of the Water Quality Enhancement Grant Program through a series of sub-initiatives as outlined in the annual CWIP Spending Plan. For SFY 2026 these sub-initiatives will likely include dam removal design and implementation; clean water project development, design, and implementation; riparian buffer plantings; river corridor easements; wetlands easement incentive payments; and assessments for clean water project identification. Enhancement funding offered under this line item may vary in structure between grants or contracts depending on the scope of work. Some funds may be administered through a block grant or bulk contract structure. The intent is to support the full life cycle of projects from identification to development through implementation.

The Water Quality Enhancement Grants must be at a funding level of at least 20 percent of the annual balance of the Clean Water Fund, provided that the maximum amount recommended shall not exceed \$5,000,000. The Clean Water Board’s final SFY 2026 Clean Water Budget recommendation funds this grant category at the full \$5,000,000 maximum from the Clean Water Fund.

Line 1.52: Program and Partner Support

- This line item supports program and partner work that directly supports statutory obligations and Tier 1 priorities for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e).

Line item includes all initiatives under the ANR-DEC CWIP that are foundational to supporting the structure and function of the Clean Water Fund and program obligations under Act 76 of 2019 and Act 64 of 2015. Base Clean Water Fund budget levels reflect ongoing needs. The SFY 2026 one-time Clean Water Funds are earmarked to boost additional short-term investments in clean water partner capacity and flood/extreme weather-related needs for clean water projects and organizational capacity.

- Supports capacity investments such as:

- Organizational capacity and training needs for partners to ensure a strong partnership network to deliver high quality and high priority clean water projects. Also, may support flood recovery including community assistance and project repair.
 - Professional service contracts and MOUs that provide centralized expertise necessary for the success of certain clean water projects such as River Corridor Easements.
 - Funds to an entity to develop and implement a plan to provide education, outreach, and technical assistance to Wastewater Treatment Facility (WWTF) operators subject to major nutrient Total Maximum Daily Loads (TMDLs) (e.g., Long Island Sound Nitrogen TMDL and Lake Champlain Phosphorus TMDLs).
- Supports DEC and partners in developing and addressing gaps in tracking, accounting, and target-setting methodologies, tools, trainings, and processes to meet requirements of Act 76 of 2019 and Act 64 of 2015.
 - Supports lab analytical and testing expenses to process water quality samples collected by partners as well as other collaborative, targeted water quality monitoring efforts.
 - Supports personnel including:
 - ANR-DEC’s program staff capacity to (1) administer grants and contracts and (2) to provide program coordination/management for Vermont’s \$10-12 million Regional Conservation Partnership Program federal grant award.
 - ANR-DEC match requirement to federal AmeriCorps grant by directly funding the time of Eco AmeriCorps members who are assigned to organizations that implement clean water projects. Host organizations must still meet their local match obligations.
 - Co-leveraged staff capacity with partner organizations to assist ANR-DEC in providing technical assistance to project proponents on advancing and maintaining clean water projects.

Line 2.11: Forestry Water Quality Practices and Portable Skidder Bridges

- This line item reflects a Tier 2 priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e)(2)(B).

This line item supports the Department of Forests, Parks and Recreation (FPR) in providing financial, technical, and educational assistance to support water quality best management practices (BMPs) on forestlands. This includes approximately \$100,000 to support FPR’s personnel capacity to enhance implementation of Acceptable Management Practices (AMPs) for Maintaining Water Quality on Logging Jobs on private and public lands through direct assistance to service providers, foresters, and loggers. A portion of the base funds (approximately \$50,000) are offered in direct grants to loggers to reimburse a portion of the cost of skidder bridges (per

2017 Act 75, 10 V.S.A. § 2622a). Portable skidder bridges prevent erosion and runoff at stream crossings on logging jobs.

Vermont's Chief Recovery Officer may temporarily divert use of portable skidder bridges for emergency access in response to flood damage. To maintain the intent of the Clean Water Funds and consistent implementation of the Clean Water Budget as recommended by the Board, repurposing portable skidder bridges for emergency response must be timebound and reported to the Clean Water Board.

This line item contains \$100,000 in one-time funds in SFY 2026 to purchase metal skidder bridges necessary for wider stream crossings. Metal bridges lend themselves well to being repurposed for emergency response. Existing portable metal skidder bridges were recently reassigned for emergency response, leaving few available to serve their original logging intent. The SFY 2026 one-time funds will support the purchase of additional metal portable skidder bridges for Department of Forests, Parks and Recreation to lend to logging contractors.

Line 2.12: Implement Best Management Practices (BMPs) at State Forests, Parks, and Recreational Access Roads

- Funded from the Capital Bill, this line item reflects a Tier 2 priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e)(2)(B).

This line item funds planning/design and implementation of road and trail BMPs to reduce erosion and nutrient and sediment pollution on ANR's road and trail networks, including State Forests, Wildlife Management Areas, State Parks, and recreational access points. Road and trail segments are identified and prioritized for BMP implementation using a modified Municipal Roads General Permit (MRGP) inventory methodology, a field application for data collection, and a companion database to gather and store data (inventory work is funded with prior year Clean Water Fund dollars). BMPs implemented under this line item bring whole road segments up to standards for water quality improvement, defined in the inventory methodology. In addition to benefiting water quality, these projects offer multiple benefits for improving public access and flood resilience on state lands. This line item contains funding (approximately \$200,000) for State Lands Foresters and a supervising engineer working directly on project planning/design and implementation.

Line 2.24: Municipal Three-Acre General Permit and MS4

- This line item reflects a Tier 2 priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e)(2)(C).

This is one of three programs that supports the Municipal Stormwater Implementation Grant initiative as outlined in 10 V.S.A. § 928 to assist municipal entities in addressing regulatory obligations. This line item funded two spending initiatives managed by the ANR-DEC CWIP in the SFY 2023 and SFY 2024 Clean Water Budgets, described as follows. Funding largely came from ARPA dollars. The SFY 2026 Clean Water Budgets proposes \$0 for this line item, acknowledging availability of Lake Champlain Basin Program federal dollars, Clean Water State Revolving Fund

(CWSRF) loan financing/subsidy, and ongoing availability of ARPA funds (available to be encumbered/expended through December 2026) to support these activities.

- Municipal Separate Storm Sewer System (MS4) Community Formula Grant program: This Formula Grant program, designed and managed by the ANR-DEC CWIP, will assist MS4 communities with developing and implementing clean water projects to comply with MS4 permit obligations to implement Flow Restoration Plans and Phosphorus Control Plans. The program has \$7.48M in funding from ARPA and Clean Water Fund spanning SFY23 and SFY24. Eligible project types include but are not limited to those identified within MS4s' approved Flow Restoration Plans or Phosphorus Control Plans that meet the other eligibility requirements of the CWIP Funding Policy. ANR-DEC has also secured at least \$3 million in Lake Champlain Basin Program federal funds to support these activities, to be co-administered with CWSRF loan financing.
- Green Schools Initiative: This initiative includes passthrough funds to entities to assist public schools in Lake Champlain and Memphremagog basins in obtaining and complying with the Three-Acre General Permit (design, permitting, construction). This initiative has approximately \$32 million in funding from Lake Champlain Basin Program federal funds and prior year Clean Water Budget Clean Water Fund and ARPA dollars.

Line 2.4: Innovative or Alternative technologies or practices to improve water quality

- This line item reflects a Tier 2 priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e)(2)(D).

This line item provides “funding for innovative or alternative technologies or practices designed to improve water quality or reduce sources of pollution to surface waters.” Line item is replenished on an as-needed basis to serve as available match/leverage for applied innovative or alternative research in clean water work. This line item may also fund innovative/experimental special projects that are not yet standardized to be eligible under other programs in the Clean Water Budget. In the SFY 2026 Clean Water Budget, this includes the following.

- The SFY 2026 Clean Water Budget allocates initial seed funds (one-time funds) to establish an innovative financing mechanism for Tier 2 regulatory requirements, specifically municipal Three-Acre General Permit sites and logging equipment to support implementation of Acceptable Management Practices (AMPs) for Maintaining Water Quality on Logging Jobs. These seed funds may be used for a linked deposit program to be co-administered with the financing program under Tier 3 Developed Lands Implementation Grants. While this requires an upfront investment from the Clean Water Budget, a standalone financing mechanism is intended to minimize cost pressures on the Clean Water Budget long term.
- This Clean Water Budget line item, in SFY 2024-2025 (and recommended for SFY 2026), supports an Alum Treatment Feasibility Study for Lake Carmi and an in-lake phosphorus inactivation project, pending the results of the Alum Treatment Feasibility Study and permitting for Lake Carmi. Alum treatments are an option to mitigate internal and legacy phosphorus loading that is released within a lake or pond, and these treatments also have the potential to mitigate cyanobacteria and algae blooms. Alum treatments, which are

typically a significant investment, should only be applied in cases where phosphorus sources from the surrounding landscape/watershed have been sufficiently mitigated so that this investment in alum is cost effective and endures over the long term.

In SFY 2026, approximately \$750k in one-time funds, in addition to the \$750k from the SFY 2025 Clean Water Budget, are allocated to partially cover costs of the Lake Carmi alum treatment after leveraging other local funding/financing sources. Implementation of an alum treatment is eligible for financing under the Clean Water State Revolving Fund (CWSRF) Bipartisan Infrastructure Law Emerging Contaminants Program, pursuant to EPA guidance. A \$1.6 million CWSRF loan with subsidy is confirmed for this project. However, for the loan to be authorized and for the project to begin, CWSRF requires securing complete project funding. Funds allocated in the Clean Water Budget will ensure complete funding for the project to proceed. Any portion of funds not needed for alum treatment will be used for other line 2.4 purposes.

While this line item makes an explicit investment in research related to innovative or alternative technologies or practices, innovation also is integrated throughout many of the Clean Water Budget-supported programs/activities. Please see the [Summary of Ongoing/Existing Innovative or Alternative Technologies or Practices to Improve Water Quality](#) document (presented at the October 18, 2022 Clean Water Board meeting) for a summary of examples of ongoing/existing innovative or alternative work supported by the Clean Water Budget.

Line 3.1: Developed Lands Implementation Grant

- This line item reflects a Tier 3 priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e)(3).

The Secretary shall administer a Developed Lands Implementation Grant Program to provide grants or financing to persons who are required to obtain a permit to implement regulatory requirements that are necessary to achieve water quality standards. The program will support Three-Acre General Permit obtainment and compliance through design and implementation. Three-Acre General Permit financial assistance is critical to ensure the overall success of this regulatory program, required under the implementation plans for the Lake Champlain and Lake Memphremagog phosphorus total maximum daily loads (TMDLs).²

Roughly \$27 million in ARPA dollars were directly appropriated to ANR-DEC from SFY 2022 through 2024 to support compliance with the Three-Acre General Permit and will be encumbered/expended through December 2026. Even with this significant ARPA investment to offset the costs of the Three-Acre General Permit, additional financial assistance is needed to support individuals and entities in complying with the permit.

A financing structure will replace ARPA programs to serve as the Developed Lands Implementation Grant Program. The SFY 2026 Clean Water Budget allocates funds to assist in

² [Phosphorus Total Maximum Daily Loads for Vermont Segments of Lake Champlain](#) (i.e., Lake Champlain phosphorus TMDLs) and [Lake Memphremagog Phosphorus Total Maximum Daily Load](#) (i.e., Lake Memphremagog phosphorus TMDL)

the transition from grants to financing, supporting initial seed funds (one-time funds) and programmatic capacity (base funds) to establish/pilot a financing mechanism. These seed funds may be used for a linked deposit program to be co-administered with the linked deposit program under the Tier 2 “Innovative or Alternative technologies or practices to improve water quality” line item. As a starting point, this pilot will lower the cost of borrowing (e.g., reduced interest rates), but if/as more resources are secured, it could potentially offer some principal loan forgiveness based on affordability criteria. While this requires an upfront investment from the Clean Water Budget, a standalone financing mechanism is intended to minimize cost pressures on the Clean Water Budget long term.

Line 4.1: Lake in Crisis Fund

- This line item is a statutory obligation but not reflected as a tiered priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e).

Line item reflects the ANR-DEC’s recommended annual budget for the fund pursuant to 10 V.S.A. § 1314 (b). Currently only one lake, Lake Carmi, is designated as a Lake in Crisis. In addition to the Lake in Crisis Fund, ANR and AAFM use other grant programs to support phosphorus mitigation in the Lake Carmi watershed. The *Lake Carmi Crisis Response Plan* and other resources are available at the [Restoring Lake Carmi webpage](#). Funds are managed by the DEC’s Lakes and Ponds Program within the Watershed Management Division. Eligible practices and projects are determined by the Lakes and Ponds Program, in consultation with statute and with annual budget review by the Legislature. Lake in Crisis Funds may be used to implement the Crisis Response Plan and/or a Lake in Crisis Order. Currently, Lake in Crisis Funds are only used to implement the Crisis Response Plan, with local match incentivized but not required. In the event the Funds are used to support implementation of a Lake in Crisis Order, pursuant to 10 V.S.A. § 1313, the entity subject to the Order shall pay at least 35 percent of the total eligible project cost or shall pay the specific cost share authorized by statute for the program from which the grant is awarded. Funds awarded externally are provided as a mix of grants and contracts depending on the scope of work. Lake in Crisis funds support implementation of the Lake Carmi Crisis Response Plan, including ongoing water quality monitoring activities.

Line 4.4: State Match to Clean Water State Revolving Fund Federal Grant

- This line item is not reflected as a tiered priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e) but is critical towards leveraging federal funding into the CWSRF.

The Clean Water State Revolving Fund (CWSRF) provides low-interest loans for municipal and private entity stormwater, wastewater, and natural resources projects. Vermont provides a 20% match to draw down federal funds. All the 20% state match funds, federal funds, and repayment funds, minus administrative expenses are used to provide loans for a wide range of water-quality projects that includes combined sewer overflow abatement (CSO), plant refurbishment, plant upgrades, sludge and septage improvements, sewer line replacement and extension, pump station upgrades, plant enlargements, stormwater improvements, and municipally sponsored private wastewater disposal systems. The interest rate/administrative fee on loans to private entities will be slightly higher than rates to municipalities, and these revenues will be used to offset reduced rates on loans to municipalities that promote natural resources projects. By

statute, municipal projects always have priority over loans to private entities. Program is administered by the Water Infrastructure Finance Program.

State match required for the CWSRF federal grant depends on the final federal grant award amount, which is dependent on national-scale federal earmark appropriations across the 50 states. The required state match to the CWSRF federal grant is projected to be fully covered by prior year funds in SFY 2026, as described in the annual Federal Funds Report to the General Assembly.³ State match will be required again in SFY 2027 to continue to leverage substantial federal investment. In prior years, up to \$2.2 million has been needed. Should any state match to the CWSRF federal grant be needed in SFY 2026, up to \$700k could be reallocated from the Municipal Pollution Control Grant line item 4.5, while maintaining customary levels of Municipal Pollution Control Grant support.

Line 4.5: Municipal Pollution Control Grants

- This line item is not reflected as a tiered priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e) but the Legislature has adopted a priority system for Municipal Pollution Control Grants, found in 10 V.S.A. § 1626b(c) and § 1628, and the Department of Environmental Conservation Chapter 2 – Municipal Pollution Control Priority System Rule, adopted December 2017.

In addition to low-interest loans through the Clean Water State Revolving Loan Fund (CWSRF), some municipal clean water projects are eligible for Municipal Pollution Control Grants in SFY 2026 for up to 35% of the project cost. The source of funding for Municipal Pollution Control Grants is the Capital Bill. These grants are for municipalities only. This grant program is administered by the Water Infrastructure Finance Program. Eligible project types focus on management of stormwater, sewage, or wastewater, including improvements to a wastewater treatment facility, combined sewer separation facilities, an indirect discharge system, a wastewater system, flood resiliency work related to a structural facility, or a groundwater protection project.

The SFY 2026 Clean Water Budget only covers \$4 million of the estimated \$20 million Municipal Pollution Control Grant need in SFY 2026. Need is estimated based on CWSRF financed projects in the pipeline eligible for that portion of the project to be covered by grant funds.

Agency of Transportation (VTrans)

Line 2.21: Municipal Roads Grants-in-Aid

- This line item reflects a Tier 2 priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e)(2)(C). This is one of two VTrans initiatives recommended to support the Municipal Stormwater Implementation Grant initiative as outlined in 10 V.S.A. § 928.

³ [2024 Report on Federal Funding Related to Water Quality Improvement Efforts in Vermont](#)

Provides financial assistance to municipalities to bring hydrologically connected municipal road segments into full compliance with the Municipal Roads General Permit. Funds are dispersed by formula to all participating municipalities based on hydrologically connected road miles. Practices eligible for funding under this program include drainage ditch installation and upgrades, turnouts, removal of high road shoulders, and stabilization of drainage culverts and catch basin outlets, and on Class 4 roads, stabilization of gully erosion.

- SFY 2023 was the final year of funding for the Municipal Roads Grants-in-Aid complementary equipment purchase program, administered by ANR-DEC CWIP. In the future, VTrans may continue this equipment program as a sub-initiative of the Municipal Roads Grants-in-Aid line item, pending continued demand and capacity.

Line 2.22: Municipal Better Roads Program

- This line item reflects a Tier 2 priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e)(2)(C). This is one of two VTrans initiatives recommended to support the Municipal Stormwater Implementation Grant initiative as outlined in 10 V.S.A. § 928.

Construction projects funded by grants to municipalities in the Better Roads Program are meant to be quick, low-cost projects that are easy to advance without all the requirements of federal funding that enhance the resilience of municipal roads while protecting water quality in Vermont. Example construction projects include ditching, check dams, slope stabilization, and structure/culvert upgrades. All Clean Water Funds awarded through the Better Roads Program will be used to bring hydrologically connected municipal road segments into full compliance with the Municipal Roads General Permit. Other funding sources may be used to support other types of construction projects through the Better Roads Program. In addition to the construction projects, which are funded in part by the Clean Water Fund and in part with funds appropriated through the Transportation Bill, VTrans also funds road erosion inventories through the Better Roads Program, as required by the Municipal Roads General Permit. Grant award lists going back to FY 2014 can be found [here](#).

Clean Water Budgets in SFY 2025 (passed) and SFY 2026 (recommended) include one-time funds to support road erosion inventory reassessments required under the updated Municipal Roads General Permit. VTrans estimates \$1.75 million in total funding need for inventory reassessments. The SFY 2025 and SFY 2026 budgets are anticipated to fully cover the need with one-time funds.

- Beginning in SFY 2024, a small portion (\$10,000) of VTrans' Better Roads funds cover 50% of the Rivers and Roads Training Program. This training program assists municipalities and other land managers and project proponents on approaches that minimize hazards and conflicts between rivers and road infrastructure. The program is jointly delivered by VTrans and the ANR-DEC Rivers Program. The \$10,000 included in the Clean Water Budget was previously covered by ANR-DEC CWIP's Program and Partner Support line item and was transferred annually from ANR-DEC to VTrans via Memorandum of Agreement. By directly appropriating the dollars to VTrans it eliminates an administrative step to transfer the funds from ANR-DEC to VTrans. Existing funds are in place to cover this training program through calendar year 2024. VTrans and DEC will

evaluate whether additional funds are needed to sustain this program in the future. If these funds are not required for Rivers and Roads Training, VTrans will allocate them through the Better Roads Program.

Vermont Housing and Conservation Board (VHCB)

Line 1.42: Land Conservation and Water Quality Projects

- This line item complements the Water Quality Enhancement Grant Program and is therefore aligned with Tier 1 priorities for the Clean Water Fund.

Part of VHCB's core funding, this allocation is used for grants to eligible applicants (land trusts and other conservation non-profits, towns, certain state agencies) for conservation and water-quality related investments in fee lands and conservation easements. All grants will require perpetual conservation restrictions. Those with surface waters will include specific water quality-related easement provisions such as riparian buffers and wetland protection zones.

Line 2.3: Water Quality Farm Improvement and Retirement Projects

- This line item reflects a Tier 2 priority for Clean Water Fund spending pursuant to 10 V.S.A. § 1389 (e)(2)(E).

VHCB works closely with other partners – particularly AAFM and ANR – to identify agricultural land that is difficult to farm without adversely impacting water quality. These funds allow VHCB to help fund the purchase and/or conservation of such properties with a goal of taking them all or mostly out of production. All grants will require perpetual conservation restrictions. VHCB also uses this funding to award grants to farmers for water quality-related capital improvements. Eligible projects include production area improvements, manure management projects, farm equipment, and pasture management. Grants typically help farmers pay for project components that state and federal grant programs cannot cover. In cases of significant hardship, the grants may assist farmers who are otherwise unable to fully meet the cost share requirements for priority AAFM BMP or U.S. Department of Agriculture-Natural Resources Conservation Service (USDA-NRCS) projects.