

# Clean Water Board State Fiscal Year 2023 Clean Water Budget Overview

## Introduction and Background

### Clean Water Budget Process

Vermont’s clean water funding helps municipalities, farmers, and others implement projects that will reduce pollution washing into Vermont’s waters. The Clean Water Board recommends the annual Clean Water Budget, with representation from five state agency secretaries and four members of the public appointed by the Governor.

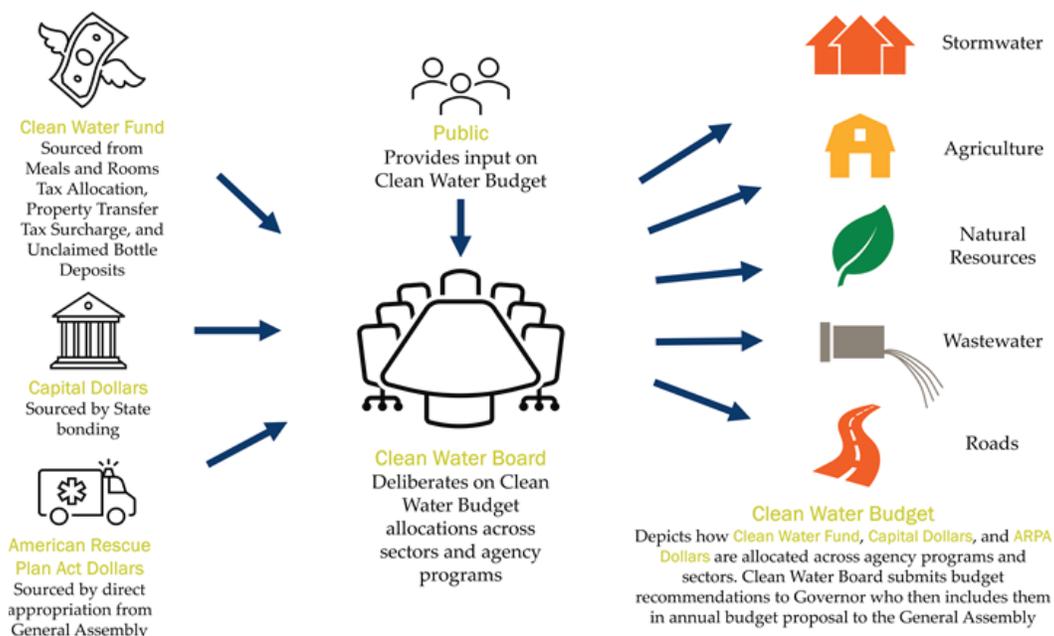
Vermont’s Clean Water Board invites the public to weigh in, annually, on how they would like to see clean water funding put to use to clean up water pollution across the state, as summarized in the figure below. Public input helps the Board prioritize funding for projects that improve water quality in Vermont’s lakes, streams, and wetlands. The State Fiscal Year 2023 Clean Water Budget process is summarized in the figure to the right.

Visit the Clean Water Board webpage for more information on how to participate at:

<https://dec.vermont.gov/water-investment/cwi/board/>.



\*Clean Water Board Meeting



## Clean Water Projects Apply Across all Land Uses

The Clean Water Budget supports efforts to reduce pollution across all land use sectors—all land use sectors contribute to Vermont’s water quality challenges and all sectors have opportunities for improvement. Below is a description of the land uses that impact clean water, the types of projects that this budget supports, and the additional benefits of supporting clean water projects for that land use.

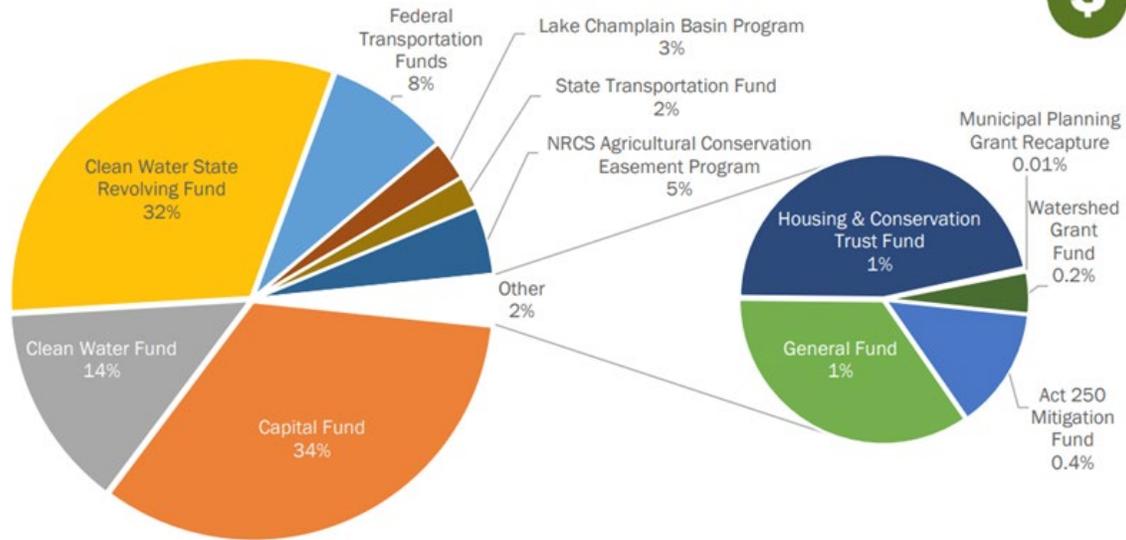
Land Use	Clean Water Project Objectives and Example Project Images	Additional Benefits
 <b>AGRICULTURE</b>	Addresses runoff and soil erosion from farm production areas and farm fields 	<ul style="list-style-type: none"> <li>• Supports Clean Water Act compliance</li> <li>• More cost-effective</li> <li>• Leverages federal funds</li> <li>• Supports agricultural economy</li> </ul>
 <b>DEVELOPED LANDS</b>	Addresses stormwater runoff from developed lands, such as parking lots, sidewalks, and rooftops 	<ul style="list-style-type: none"> <li>• Supports Clean Water Act compliance</li> <li>• Increases flood resilience</li> <li>• May enhance aesthetic appeal</li> </ul>
 <b>NATURAL RESOURCES</b>	Restores functions of “natural infrastructure”—river channels, floodplains, lakeshores, and wetlands 	<ul style="list-style-type: none"> <li>• Supports Clean Water Act compliance</li> <li>• More cost-effective</li> <li>• Increases flood resilience</li> <li>• Improves habitat</li> <li>• Enhances recreation</li> </ul>
 <b>ROADS</b>	Addresses stormwater runoff from roads 	<ul style="list-style-type: none"> <li>• Supports Clean Water Act compliance</li> <li>• More cost-effective</li> <li>• Increases flood resilience</li> <li>• Leverages federal funds</li> <li>• Reduces future road maintenance costs</li> </ul>
 <b>WASTEWATER</b>	Decreases nutrients (phosphorus and nitrogen) through enhanced wastewater treatment and addresses aging infrastructure 	<ul style="list-style-type: none"> <li>• Protects public health and safety</li> <li>• Supports Clean Water Act compliance</li> <li>• Leverages federal funds</li> </ul>

## The Clean Water Budget Complements Several Funding Sources

The Clean Water Budget is not the only source of support for clean water projects. The following image shows how from 2016 through 2020 the Clean Water Budget (Capital Fund and Clean Water Fund Dollars) accounted for about half of all state-administered funds contributing to improving Vermont’s water quality. These funds complement and leverage other funding sources to support clean water efforts statewide.

Visit the [Clean Water Projects webpage](#) to view the latest [Vermont Clean Water Initiative Annual Performance Report](#) and access the [Clean Water Portal](#) to learn more about investments in and results of state-funded clean water projects, at: <https://dec.vermont.gov/water-investment/cwi/projects>.

## Investments by Funding Source

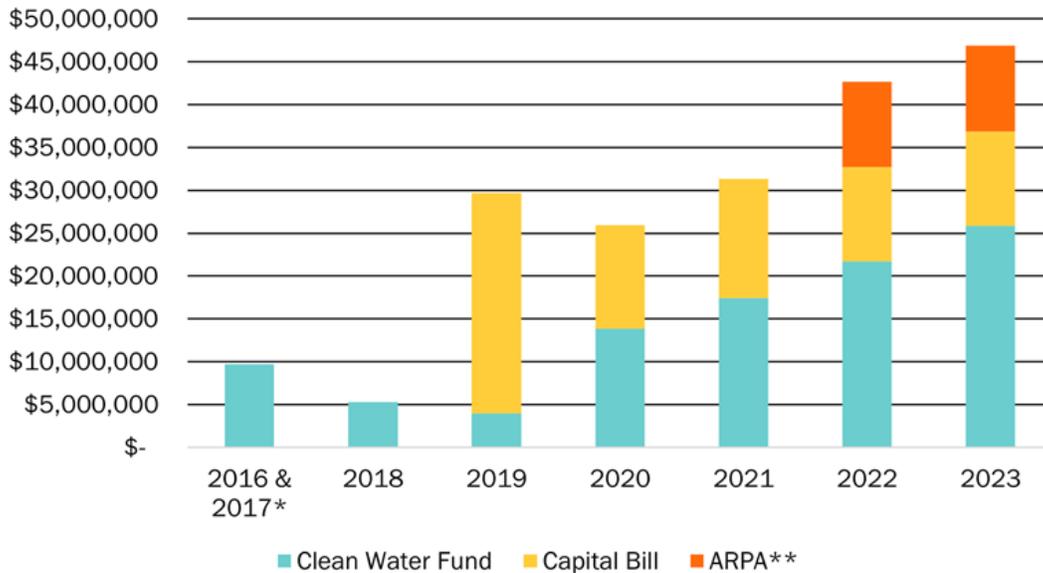


SFY 2016-2020 Total: \$194,366,224

## Clean Water Budget Growth Over Time

The following figure below shows the ramping up of the Clean Water Budget, recommended by the Clean Water Board, since its inception in State Fiscal Year (SFY) 2016 to align with long term clean water funding needs. The State Fiscal Year (SFY) 2023 Clean Water Budget is estimated to be roughly \$46.9 million. This represents an increase compared to prior year budget levels, in part due to leveraging of federal American Rescue Plan Act (ARPA) dollars beginning in SFY 2022.

Clean Water Budget Appropriations by State Fiscal Year



\*Note that SFY 2016 and 2017 funds were programmed together.

\*\*ARPA stands for American Rescue Plan Act dollars.

# State Fiscal Year 2023 Clean Water Budget Overview

This State Fiscal Year 2023 Clean Water Budget Overview contains the following information:

- SFY 2023 Clean Water Budget total targets by funding source (page 4);
- The draft SFY 2023 Clean Water Budget sheet (page 5);
- Summary of adjustments due to the Clean Water Service Delivery Act (Act 76 of 2019) (pages 6-8); and
- Draft SFY 2023 Clean Water Budget line-item descriptions of each budget program/activity (pages 9-19).

## State Fiscal Year (SFY) 2023 Clean Water Budget Totals by Funding Source

The State Fiscal Year (SFY) 2023 Clean Water Budget includes roughly \$25.9 million from the Clean Water Fund, \$11 million from the clean water section of the Capital Bill, and \$10 million in federal American Rescue Plan Act (ARPA) dollars. The draft SFY 2023 Clean Water Budget sheet on Page 5 shows the draft allocation of funds across programs/activities and funding sources.



**Clean Water Board DRAFT State Fiscal Year (SFY) 2023 Clean Water Budget**

The Clean Water Board approved to post for public comment at its October 13, 2021 meeting.

No.	Sector	Agency	Activity	Clean Water Fund	Capital Bill	American Rescue Plan Act (ARPA)**	Total SFY 2023
<b>Clean Water Budget Statutory Priority Tier 1 (Items of Equal Priority)</b>							
1.1	Multi-Sector	ANR-DEC (CWIP)	Water Quality Restoration Formula Grants to Clean Water Service Providers*	7,000,000			7,000,000
1.2	Multi-Sector	ANR-DEC (CWIP)	Water Quality Restoration Formula Grants to Clean Water Service Providers (O&M)*	210,000			210,000
1.3	Multi-Sector	ANR-DEC (CWIP)	Basin Planning, Basin Water Quality Council Participation, Education, and Outreach	600,000			600,000
<b>1.4 Water Quality Enhancement Grants</b>							
1.41	Multi-Sector	ANR-DEC (CWIP)	Statewide Non-regulatory Clean Water Projects (not to Overlap with Formula Grants)*	3,000,000			3,000,000
1.42	Natural Resources	VHCB	Land Conservation and Water Quality Projects		2,000,000		2,000,000
1.5	Agriculture	AAFMM	Water Quality Grants to Partners and Farmers	4,991,111	2,651,781	3,000,000	10,642,892
<b>1.6 Agency and Partner Operating Support</b>							
1.61	Agriculture	AAFMM	Program Support	825,000			825,000
1.62	Multi-Sector	ANR-DEC (CWIP)	Program and Partner Support	950,540			950,540
<b>Tier 1 SUBTOTAL</b>				<b>17,576,651</b>	<b>4,651,781</b>	<b>3,000,000</b>	<b>25,228,432</b>
<b>Tier 1 % of Total</b>				<b>68%</b>	<b>42%</b>	<b>30%</b>	<b>54%</b>
<b>Clean Water Budget Statutory Priority Tier 2 (Items of Equal Priority)</b>							
<b>2.1 Outreach and Implementation of Forestry Acceptable Management Practices for Maintaining Water Quality</b>							
2.11	Natural Resources	ANR-FPR	Forestry and Portable Skidder Bridges and Water Quality Practices	110,000			110,000
2.12	Natural Resources	ANR-FPR	Implement BMPs at State Forests, Parks, and Recreational Access Roads		700,000		700,000
<b>2.2 Municipal Stormwater Implementation</b>							
2.21	Roads	VTrans	Municipal Roads Grants-in-Aid (MRGP)	3,317,498			3,317,498
2.22	Roads	VTrans	Municipal Better Roads (MRGP)	1,000,000			1,000,000
2.23	Stormwater	ANR-DEC (WIFP & CWIP)	Municipal Three-Acre General Permit and MS4*	3,600,000		4,000,000	7,600,000
2.3	Agriculture	VHCB	Water Quality Farm Improvement and Retirement Projects		800,000		800,000
2.4	Multi-Sector	ANR-DEC (CWIP)	Innovative or Alternative Technologies or Practices to Improve Water Quality				-
<b>Tier 2 SUBTOTAL</b>				<b>8,027,498</b>	<b>1,500,000</b>	<b>4,000,000</b>	<b>13,527,498</b>
<b>Tier 2 % of Total</b>				<b>31%</b>	<b>14%</b>	<b>40%</b>	<b>29%</b>
<b>Clean Water Budget Statutory Priority Tier 3</b>							
3.1	Stormwater	ANR-DEC (WIFP)	Developed Lands Implementation Grants*			3,000,000	3,000,000
<b>Tier 3 SUBTOTAL</b>				<b>-</b>	<b>-</b>	<b>3,000,000</b>	<b>3,000,000</b>
<b>Tier 3 % of Total</b>				<b>0%</b>	<b>0%</b>	<b>30%</b>	<b>6%</b>
<b>Clean Water Budget Other Priorities</b>							
4.1	Multi-Sector	ANR-DEC (Lakes)	Lakes in Crisis Fund	50,000			50,000
4.2	Stormwater	AoA	Stormwater Utility Payments (\$25K each)	25,000			25,000
4.3	Stormwater	ACCD	Better Connections and Downtown Transportation Fund	200,000			200,000
<b>Capital Bill Priorities</b>							
4.4	Wastewater	ANR-DEC (WIFP)	State Match to Clean Water State Revolving Fund (CWSRF) Federal Grant		1,548,219		1,548,219
4.5	Wastewater	ANR-DEC (WIFP)	Municipal Pollution Control Grants		3,300,000		3,300,000
<b>Other SUBTOTAL</b>				<b>275,000</b>	<b>4,848,219</b>	<b>-</b>	<b>5,123,219</b>
<b>Other % of Total</b>				<b>1%</b>	<b>44%</b>	<b>0%</b>	<b>11%</b>
<b>Total Requested</b>				<b>25,879,149</b>	<b>11,000,000</b>	<b>10,000,000</b>	<b>46,879,149</b>
<b>Anticipated SFY 2023 Revenue</b>				<b>25,879,149</b>	<b>11,000,000</b>	<b>10,000,000</b>	<b>46,879,149</b>

**DRAFT SFY 2023 Clean Water Budget by Agency**

Agency	Clean Water Fund	Capital Bill	ARPA**	Total SFY 2023
Agency of Agriculture, Food and Markets (AAFMM)	5,816,111	2,651,781	3,000,000	11,467,892
Agency of Commerce and Community Development (ACCD)	200,000	-	-	200,000
Agency of Natural Resources (ANR) Department of Environmental Conservation (DEC)	15,410,540	4,848,219	7,000,000	27,258,759
ANR Department of Forests, Parks and Recreation (FPR)	110,000	700,000	-	810,000
Agency of Administration (AoA)	25,000	-	-	25,000
Vermont Housing and Conservation Board (VHCB)	-	2,800,000	-	2,800,000
Agency of Transportation (VTrans)	4,317,498	-	-	4,317,498
<b>Total</b>	<b>25,879,149</b>	<b>11,000,000</b>	<b>10,000,000</b>	<b>46,879,149</b>

Additional capital investment needed to leverage federal infrastructure investment beyond SFY 2023 Clean Water Budget:

\*\*\*Infrastructure Investment and Jobs Act (IIJA) CWSRF state match: \$931,980

Supplemental Municipal Pollution Control Grants need: \$6,507,564

\* Denotes new budget activity line item in SFY 2023.

\*\* ARPA-funded activities will be reviewed against addenda recently issued by Agency of Administration to bulletins governing state grants and contracts addressing ARPA-specific requirements and ARPA guidance from U.S. Treasury anticipated in November 2021.

\*\*\* Pending passage by U.S. Congress.

## Summary of Adjustments due to Clean Water Service Delivery Act of 2019 (Act 76)

Act 76 demands a significant re-organization of the Clean Water Budget structure due to a new priority scheme and the introduction of new funding programs. To maximize efficiency, this budget framework capitalizes on pre-existing programs to the greatest extent possible where they meet the statutory intent of Act 76 and only introduces new line items where necessary. New line-items for SFY23 are indicated with an asterisk throughout this document and on the Clean Water Budget spreadsheet. Below is a summary of significant changes made to address new budget obligations under Act 76:

- Existing programs from SFY22 were reviewed to determine their alignment with the new funding prioritization scheme. Relevant programs were grouped into three tiers based on 10 V.S.A. § 1389 (e) for the Clean Water Fund. Remaining programs were grouped as “Clean Water Budget Other Priorities.”
- New line items were introduced to the appropriate tiers based on the new grant and financing programs described in 10 V.S.A. § 925-928.
- To meet the intent of prioritization, roughly 60% of the budget was allocated to Tier 1 initiatives, 30% to Tier 2 initiatives, and 10% to Tier 3 and “other” initiatives. The percent allocations change slightly based on fund source (Clean Water Fund, Capital Bill, and American Rescue Plan Act – ARPA - Federal Dollars). Since certain fund sources are restrictive on which project types are eligible, focus was given to maximizing opportunities to leverage Capital and ARPA dollars where possible to alleviate strains on the Clean Water Fund. This led to some deviations in the target 60:30:10 prioritization breakdown.

Of the four new grant programs described in 10 V.S.A. § 925-928, two (the Water Quality Enhancement Grant and the Municipal Stormwater Implementation Grant) described objectives partially met by existing initiatives. As such, both line items in the budget include both pre-existing programs from SFY22 and new programs to fill in any gaps in meeting the statutory goals/outcomes. Reasoning and design for these two programs are described as follows.

### A Note on Water Quality Enhancement Grants

Pursuant to 10 V.S.A. § 926, the Secretary shall administer a Water Quality Enhancement Grant Program. This program shall be a competitive grant program to fund projects that protect high quality waters, maintain or improve water quality in all waters, restore degraded or stressed waters, create resilient watersheds and communities, and support the public’s use and enjoyment of the State’s waters.

The SFY23 draft Clean Water Budget proposes meeting the statutory goals/outcomes of the Water Quality Enhancement Grant Program through two sub-programs:

- Vermont Housing and Conservation Board’s (VHCB) “Land Conservation and Water Quality Projects” line item, funded with Capital Bill dollars in the SFY23 draft Clean Water Budget, achieves goals of the Water Quality Enhancement Grant Program through the funding of conservation activities that protect and maintain water quality.

- Vermont Department of Environmental Conservation (DEC) Clean Water Initiative Program’s (CWIP) “Statewide Non-regulatory Clean Water Projects” line item, funded with Clean Water Funds, achieves goals of the Water Quality Enhancement Grant Program to:
  - Continue access to funding statewide for non-regulatory clean water projects, not to overlap with projects eligible under the Water Quality Restoration Formula Grant. This includes eligible clean water project types for regions of the state that do not yet have an operational Clean Water Service Provider to receive Water Quality Restoration Formula Grant allocations.
  - Incorporate additional eligible project types, not to overlap with VHCB’s Land Conservation and Water Quality Projects line item, to support the statutorily defined outcomes of the Water Quality Enhancement Grant Program to protect high quality waters, maintain or improve water quality, restore degraded or stressed waters, create resilient watersheds and communities (e.g., flood mitigation), support the public’s use and enjoyment of the State’s waters (e.g., public access). The Program will aim to maximize co-benefits in project prioritization like public access, wildlife habitat, and flood mitigation. The Clean Water Initiative Program will engage with stakeholders to further define this grant subcategory’s scope and eligible project types to fulfill the statutory intent, while avoiding duplication/overlap with other Clean Water Budget line items.

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 draft SFY23 Clean Water Budget funds this grant category at the full \$5,000,000 maximum across the Capital Bill and Clean Water Fund.

### **A Note on Municipal Stormwater Implementation Grants**

Pursuant to 10 V.S.A. § 928, the Secretary shall administer a Municipal Stormwater Implementation Grant Program to provide grants to any municipality required to obtain or seek coverage under the Municipal Roads General Permit (MRGP), the Municipal Separate Storm Sewer Systems (MS4) permit, a permit for impervious surface of three acres or more, or a permit required by the Secretary to reduce the adverse impacts to water quality of a discharge or stormwater runoff. The SFY22 Clean Water Budget supported municipalities in municipal roads general permit work through two Agency of Transportation (VTrans) programs. The SFY22 Clean Water Budget also supported MS4 permit and municipal Three-Acre General Permit design/implementation through DEC’s CWIP “Stormwater Project Delivery, Planning and Implementation” line item, including school district municipalities in achieving three-acre permit obtainment and compliance through the Green Schools Initiative.

The SFY23 draft Clean Water Budget proposes meeting the statutory goals/outcomes of the Municipal Stormwater Implementation Grants through two sub-programs:

- VTrans’ Municipal Roads Grants-in-Aid and Municipal Better Roads programs will continue to support implementation of the MRGP stormwater requirements.

- DEC's new Municipal Three-Acre General Permit and MS4 program will support implementation of the MS4 and Three-Acre General Permit stormwater requirements.

Pursuant to 10 V.S.A. § 928, the grant program shall only be available in basins where a Clean Water Service Provider has met its annual goals or is making sufficient progress, as determined by the Secretary, towards those goals. Sufficient progress in year one of Formula Grant allocations (SFY23) is considered active participation in Clean Water Service Provider Start-up scope of work.

## State Fiscal Year (SFY) 2023 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). There are currently five municipalities that have established stormwater utilities: Williston, Colchester, South Burlington, St. Albans City, and Burlington. The SFY23 budget proposes ending utility incentive payments after five years. All stormwater utilities except St. Albans City have received five years of incentive payments as of SFY22. Therefore, the SFY23 budget proposes to continue to support St. Albans City for another two years as this is the only municipality on this list that has not received the five years of utility support. These funds are appropriated through the Agency of Administration. VTrans publishes an [annual report about municipal stormwater utilities related to VTrans expenditures](#).

### Agency of Agriculture, Food and Markets (AAFM)

#### Line 1.5: 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).
  - a. Capital and ARPA Funds: 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 and ARPA Funds for this line-item.
    - i. 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.
    - ii. Conservation Reserve Enhancement Program (CREP), 6 V.S.A. § 4829. The program funds 15 to 30-year term water quality agreements to install perennial grass or woody vegetation within buffers. This program receives a 4:1 federal to state program match.
    - iii. Grassed Waterway and Filter Strip (GWFS) Program, which replaced the Vermont Agricultural Buffer Program, 6 V.S.A. § 4900. 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.

- iv. 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 when they apply manure.
  - v. 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.
- b. Clean Water Funds: AAFM administered grants and contracts that are non-capital funds are used to support:
- i. Farm Agronomic Practices (FAP) Program, 6 V.S.A. § 4951. The FAP Program utilizes state funding to help Vermont farms implement soil-based agronomic practices that improve soil quality, soil 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 the impacts of agricultural practices on water quality and current state agricultural water quality regulations. 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, educational or instructional activities.
  - ii. 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, 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 organizations to provide farmers with education and outreach, technical assistance, identifying and implementing BMPs, planning, and more.
  - iii. Innovative water quality improvement methods for manure management, phosphorus reduction and new techniques that directly assist partners and farmers in water quality implementation activities.

- iv. Agronomy and Conservation Assistance Program (ACAP). Support for the ACAP service agreements to continue delivering agronomic (field-based) technical support to farmers in the Lake Champlain Basin, in coordination with federal and state agencies.

#### Line 1.61: Program Support

- 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). Line item funds operating activities that are foundational to supporting the structure and function of the Clean Water Fund and program obligations under Act 76 and Act 64.

The AAFM supports a portion of the water quality program staff and operating costs from the Clean Water Fund. The necessary increase in staffing was created as part of the Vermont Clean Water Act development process and allowed the AAFM to meet the [\*Phosphorus Total Maximum Daily Loads for Vermont Segments of Lake Champlain\*](#) (i.e., Lake Champlain 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 will help municipalities incorporate stormwater management strategies into downtown and village center transportation and community revitalization plans. In partnership with VTrans, the Downtown Transportation Fund will help municipalities incorporate stormwater BMPs into infrastructure improvement projects that make Vermont's downtown areas more pedestrian, bike, and transit friendly.

#### Agency of Natural Resources (ANR)

##### Line 1.1: Water Quality Restoration Formula Grant to Clean Water Service Providers\*

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

The Secretary shall administer a Water Quality Restoration Formula Grant Program to award grants to Clean Water Service Providers (CWSP) 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 Clean Water Service Provider 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. The SFY 2023 (year 1) Formula Grant

budget allocation is based on targets scaled to funds available while CWSP and partner capacity development efforts are underway. Formula Grants to each CWSP will be proportional to load reduction targets required by basin. Eligible clean water project types that can be funded under these Formula Grants will be non-regulatory project types as described in the Clean Water Initiative Program’s Funding Policy Guidance. This includes projects across a range of sectors including floodplain and stream restoration, buffer plantings, stormwater management improvements, wetlands restoration, and lake shoreline restoration. Formula Grant allocations are to be refined on an annual cycle based on methodology feedback from program partners. Total Formula Grant estimated need based on targets will be further refined in future budget cycles, pending results from additional planning tools, currently under development. CWSPs will be responsible for designing how Formula Grant allocations are apportioned and awarded to project implementers within their respective basins using state-derived Guidance. Formula Grants will be administered by the ANR DEC Clean Water Initiative Program. Spending initiatives that fell under the following SFY22 budget line items may be included within this new formula structure:

- Natural Resources Restoration
- Multi-sector Innovation, Grant Administration and Partner Support
- Stormwater Project Delivery, Planning, and Implementation

Line 1.2: Water Quality Restoration Formula Grant to Clean Water Service Providers (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).

The cost of clean water project operation, maintenance, inspection, and verification is not factored into the Act 76 Formula Grant standard cost calculations. In making recommendations regarding the appropriate allocation of funds from the Clean Water Fund, the Board is directed to prioritize grants to Clean Water Service Providers to fund the reasonable costs associated with the inspection, verification, operation, and maintenance of clean water projects in a basin. As such this is a separate line item directed towards established CWSPs to support these activities and ensure that installed practices continue to realize their phosphorus reduction potentials across their expected design lives. Funds must be used to support operation, maintenance, inspection, and verification of clean water projects funded by the Formula Grants or otherwise tracked with phosphorus reductions attributed to the CWSP. Operation and maintenance funding needs are expected to increase over time as more projects reach installation. Allocated values in future budget requests will be adjusted depending on available funding and CWSP projected needs. Operation and Maintenance Grants will be administered by the ANR DEC Clean Water Initiative Program.

Line 1.3: 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. Eligible tactical basin planning activities are prescribed in 10 V.S.A. § 1253(d)(3). Funds are provided in the form of annual contracts to eligible basin planning partner entities defined in statute. Basin planning contracts will be administered by the ANR Clean Water Initiative Program with technical project management assistance from the Water Investment Division.

Line 1.41: 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 considered one of two programs designed to meet the statutory intent of 10 V.S.A. § 926.

Vermont Department of Environmental Conservation (DEC) Clean Water Initiative Program's (CWIP) "Statewide Non-regulatory Clean Water Projects" line item, funded with Clean Water Funds, achieves goals of the Water Quality Enhancement Grant Program to:

- a. Continue access to funding statewide for non-regulatory clean water projects, not to overlap with projects eligible under the Water Quality Restoration Formula Grant. This includes eligible clean water project types for regions of the state that do not yet have an operational Clean Water Service Provider to receive Water Quality Restoration Formula Grant allocations.
- b. Incorporate additional eligible project types, not to overlap with VHCB's Land Conservation and Water Quality Projects line item, to support the statutorily defined outcomes of the Water Quality Enhancement Grant Program to protect high quality waters, maintain or improve water quality, restore degraded or stressed waters, create resilient watersheds and communities (e.g., flood mitigation), support the public's use and enjoyment of the State's waters (e.g., public access).

The Program will aim to maximize co-benefits in project prioritization like public access, wildlife habitat, and flood mitigation. The Clean Water Initiative Program will engage with stakeholders to further define this grant subcategory's scope and eligible project types to fulfill the statutory intent, while avoiding duplication/overlap with other Clean Water Budget line items.

Under Act 76 Section 8 the Secretary is instructed to provide additional weight to geographic areas not served by a Clean Water Service Provider when making funding decisions for Enhancement Grants. The structure of this funding, to continue access to funding statewide for non-regulatory projects is intended to address this obligation.

Enhancement grants 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 structure. The intent is to support the full life cycle of projects from development through implementation, as well as operation and maintenance if funding allows.

Statewide Non-regulatory Clean Water Projects, a subset of Enhancement Grants, will be administered by the ANR DEC Clean Water Initiative Program with technical project management assistance from other staff in the Water Investment and Watershed Management Divisions. Spending initiatives that fell under the following SFY22 budget line items may be included within this new Enhancement Grant structure:

- Natural Resources Restoration
- Multi-sector Innovation, Grant Administration and Partner Support
- Stormwater Project Delivery, Planning, and Implementation

#### Line 1.62: Program and Partner Support

- 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). Line item includes all initiatives under the ANR DEC Clean Water Initiative Program that are foundational to supporting the structure and function of the Clean Water Fund and program obligations under Act 76 and Act 64. The initiatives listed below are all pre-existing from SFY22.
  - a. Supports development of nutrient pollutant reduction target setting and project tracking and accounting, as well as other requirements associated with developing and implementing programs in Act 76 of 2019. Includes site hosting and data management services for tools that support river, floodplain, and wetland restoration project identification and prioritization, and estimate projects' phosphorus reductions.
  - b. Supports unmet organizational capacity needs for partners to ensure a strong partnership network to deliver high quality and high priority clean water projects.
  - c. Supports lab analytical and testing expenses to process water quality samples collected by partners as well as other collaborative, targeted water quality monitoring efforts.
  - d. Supports ANR DEC's program capacity to administer grants and contracts.
  - e. Includes WWTF operator support for optimization and high-strength source management in place of near-term capital investments to implement major nutrient TMDLs (e.g., Lake Champlain TMDLs). Programming covers technical, analytical, and asset management. Federal funds may become available but are limited in scope and location.

#### Line 2.11: Forestry and Portable Skidder Bridges and Water Quality Practices

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

The Department of Forests, Parks and Recreation (FPR) provides 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. This also supports

FPR's capacity to enhance implementation of Acceptable Management Practices (AMPs) for Maintaining Water Quality on Logging Jobs.

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

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

DEC's Municipal Roads General Permit (MRGP) program is a streamlined process for inventorying roads and prioritizing and constructing projects to improve water quality. This relatively simple framework has been adopted to incentivize non-regulatory road best management practices (BMPs). This project involves using a modified MRGP inventory methodology, a field application for data collection, and a companion database to gather and store data for road and trail networks on ANR land, including State Forests, Wildlife Management Areas, State Parks, and recreational access points and constructing projects based on the prioritized list of road and trail BMPs to reduce nutrient and sediment pollution.

Line 2.23: 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 two programs proposed to support the Municipal Stormwater Implementation Grant initiative as outlined in 10 V.S.A. § 928. This line item includes three spending initiatives to be managed by either the Water Infrastructure Financing Program (WIFP) or the Clean Water Initiative Program (CWIP) to assist municipal entities in addressing regulatory obligations as follows:

- a. **Municipal Three-Acre Financing:** This financing program will help affected towns secure funding for Three-Acre General Permit obtainment and compliance. Towns will be able to use funds, some of which may be paired with WIFP financing, to procure engineering analysis and permitting services, complete designs, and go to construction for stormwater treatment practices needed to meet permit compliance. Program structure and delivery is still under development and will be designed and managed by the Water Infrastructure Financing Program. Program is eligible for and will be funded by American Rescue Plan Act (ARPA) dollars over the next few years to relieve pressure on the Clean Water Fund.
- b. **Municipal Separate Storm Sewer System (MS4) Permit Formula Grant:** This Formula Grant program, to be designed and managed by the ANR DEC Clean Water Initiative Program, 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. Eligible project types include those identified within MS4s' approved Flow Restoration Plans or Phosphorus Control Plans. Spending initiatives that fell under the "Stormwater Project Delivery, Planning, and Implementation" SFY22 budget line items may be included within this new grant structure.

- c. 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). Co-funded with Lake Champlain Basin Program federal funds administered by the Clean Water Initiative Program. Program is eligible for and will be funded by American Rescue Plan Act (ARPA) dollars over the next few years depending on projected needs to relieve pressure on the Clean Water Fund.

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).

Supports development and use of technologies, practices, or policies that facilitate, optimize, or accelerate cost-effective nutrient pollution removal strategies, such as the [Vermont Phosphorus Innovation Challenge](#). This is a cross-agency effort, and grants are awarded on a competitive basis. Funds may be used to support other innovative phosphorus reduction-based projects. This line item is populated with funds on an as-needed basis. No funding needs are projected for SFY23, as the AAFM-administered Vermont Phosphorus Innovation Challenge is still in progress with prior year funding.

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. Program shall be administered by the Water Infrastructure Financing Program. Program will support private land Three-Acre General Permit obtainment and compliance through design and implementation. Initial Three-Acre General Permit funding assistance was administered through ANR DEC Clean Water Initiative Program's Design and Implementation Block Grant program, which will transition into this new program in SFY23. Program is eligible for and will be funded by American Rescue Plan Act (ARPA) dollars over the next few years to relieve pressure on the Clean Water Fund.

Line 4.1: Lakes 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 Agency of Natural Resources' 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 Lakes 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*, the *2019 Lake Carmi Clean Water Progress Report*, and other resources are available at the [Restoring Lake Carmi](#)

[webpage](#). Funds are managed by the Department of Environmental Conservation’s Lakes and Ponds Program within the Watershed Management Division. Eligible practices and projects are determined by the Lakes and Pond Program. Funds are provided as a mix of grants and contracts depending on the scope of work. Pursuant to 10 V.S.A. § 1313, recipients of Lakes in Crisis Fund grants shall pay at least 35 percent of the total eligible project cost.

#### 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 Financing Program.

#### 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 Funds, some municipal clean water projects are eligible for Municipal Pollution Control Grants in SFY 2023 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 Financing Program. Eligible project types focus on management of stormwater, sewage, or waste, 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.

### **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 proposed to support the Municipal Stormwater Implementation Grant initiative as outlined in 10 V.S.A. § 928.

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.

#### 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 proposed 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. 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](#).

### **Vermont Housing and Conservation Board (VHCB)**

#### Line 1.42: Land Conservation and Water Quality 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 considered one of two programs designed to meet the statutory intent of 10 V.S.A. § 926.

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 would 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 projects.