Clean Water Board State Fiscal Year 2025 Clean Water Budget Overview

Introduction and Background

Vermont waterways nurture ecosystem wellbeing, supply safe drinking water, strengthen tourism, buoy property values, and provide recreational opportunities like fishing, swimming, and boating.

For the benefit of current and future generations of Vermont's people and wildlife, the state has made a long-term commitment to the Clean Water Initiative to provide the mechanisms, staffing, and financing necessary so that our waterways achieve and maintain compliance with the Vermont Water Quality Standards.[1]

To this end, the Clean Water Board recommends the annual Clean Water Budget, which provides funding to help municipalities, farmers, and others implement projects that will restore, enhance, and protect Vermont's water quality, including addressing priority sources of nutrient and sediment pollution.

Vermont's Clean Water Board invites the public to weigh in, annually, on how they would like to see clean water funding used to restore, enhance, and protect Vermont's water quality. The State Fiscal Year (SFY) 2025 Clean Water Budget timeline 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/.

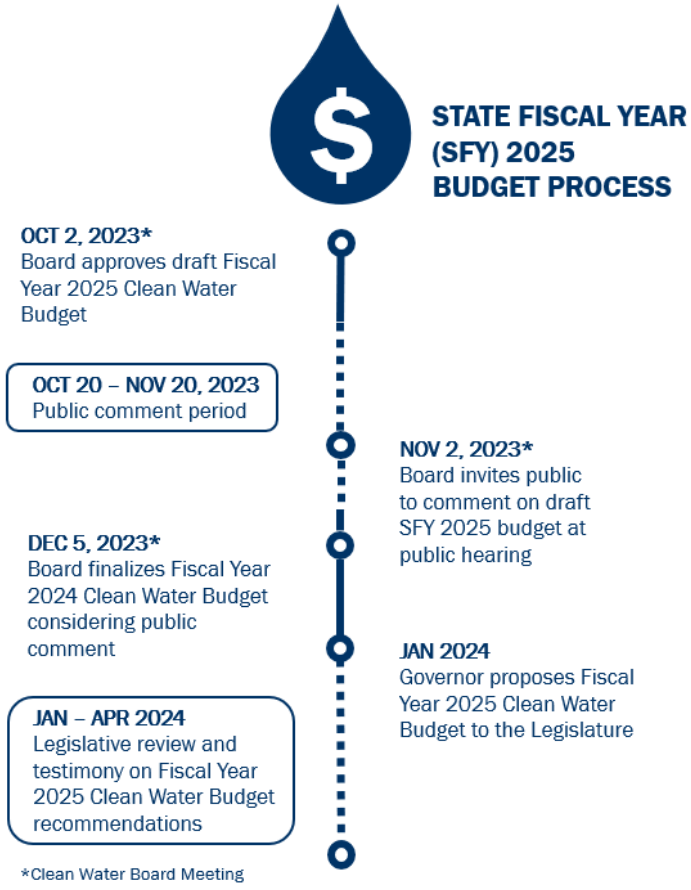


Figure 1. SFY 2025 Clean Water Budget process timeline, October 2023 through April 2024.

Figure 1 Description: Board approves draft budget at its October 2, 2023 meeting. Public comment period runs October 20 through November 20, 2023. Board invites public comment at public hearing on November 2, 2023. Board reviews public comment and finalizes recommendations at its December 5, 2023 meeting. Governor proposes budget to the Legislature in January 2024. Legislature reviews draft budget January through April 2024.

[1] 10 V.S.A § 1387: https://legislature.vermont.gov/statutes/section/10/047/01387.

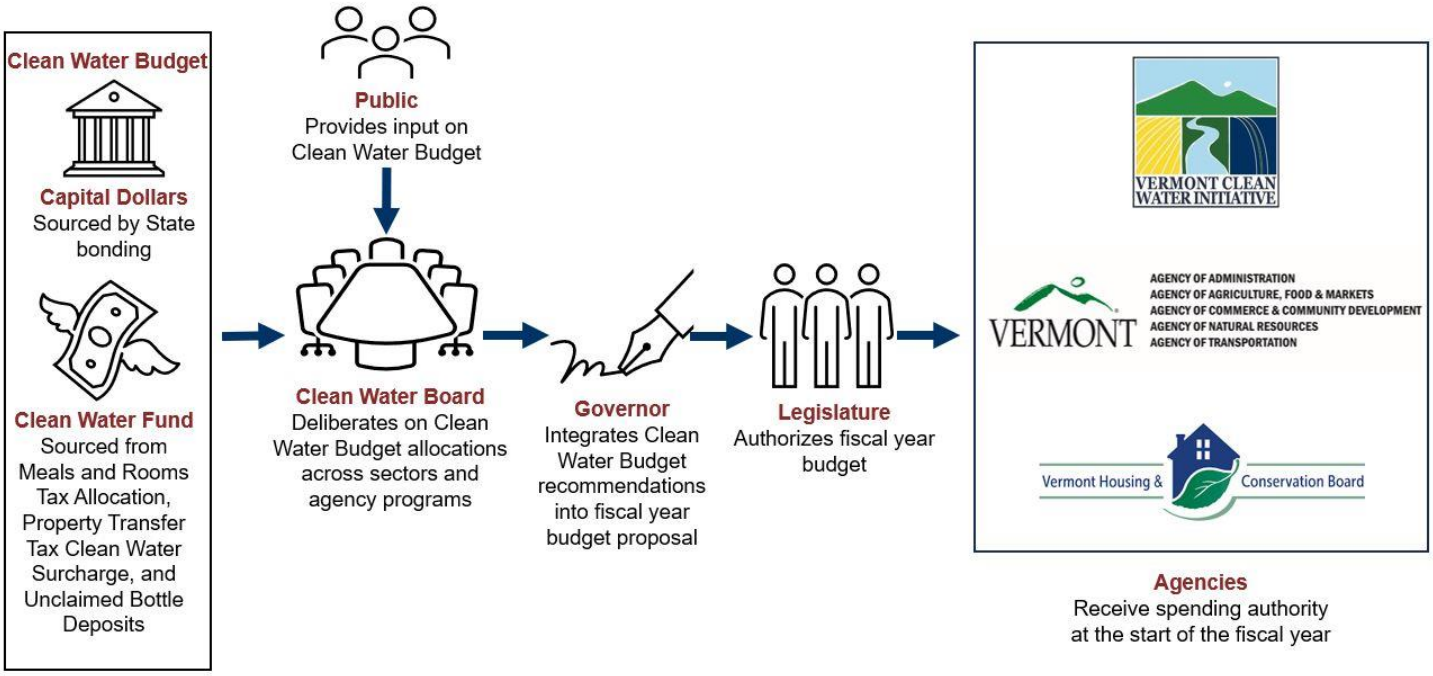


Figure 2. Clean Water Budget process steps from public comment to final authorization.

Figure 2 Description: The Clean Water Board, with input from the public, recommends the annual Clean Water Budget, containing Capital Bill and Clean Water Fund dollars. The Governor integrates the Board's recommendation into the budget proposal. The Legislature reviews and authorizes the budget. Once authorized, agencies receive spending authority to implement the budget at the start of the next state fiscal year.

Clean Water Projects Provide Benefits Across All Land Uses

The Clean Water Budget supports projects that will restore, enhance, and protect Vermont's water quality. All land use sectors contribute to Vermont's water quality challenges and all sectors have opportunities for improvement. Clean water projects can be categorized across land use sectors like agriculture, developed lands, and natural resources. Projects are categorized based on surrounding land use (e.g., agricultural, developed, forested). Projects funded through the Clean Water Budget help to support compliance with the Vermont and federal Clean Water Act and may help to leverage additional federal funds. Examples of some clean water projects by land use sector are provided in the figure below, along with a summary of the additional benefits clean water projects provide. Acknowledging Vermont's Summer 2023 flood events, it is important to highlight the substantial flood resilience benefits most clean water projects provide, while also restoring, enhancing, and protecting water quality. Investing in flood resilience as a preventative measure will decrease the impacts of future flooding events.

LAND USE	PROJECT OBJECTIVES	EXAMPLE PROJECT IMAGES	PROJECT BENEFITS	FEATURED FLOOD RESILIENCE BENEFITS
AGRICULTURE	Reduces pollution by slowing/controlling rain/snowmelt runoff and soil erosion from farm production areas and farm fields	 	Cost-effective Supports agricultural economy Improves soil health	Cover crops and no-till practices increase soil health which captures more rain and keeps water out of flooding streams
DEVELOPED LANDS	Reduces pollution by slowing/controlling rain/snowmelt runoff from developed lands, such as parking lots, sidewalks, and rooftops	 	May enhance aesthetic appeal Publicly visible educational opportunity Adds green space in residential and commercial areas	Projects lower the volume and speed of rain/snowmelt runoff from the landscape, which reduces flash flooding during heavy rainfall events
NATURAL RESOURCES	Reduces pollution by restoring functions of "natural infrastructure"—river channels, floodplains, lakeshores, wetlands, and forests	 	Cost-effective Improves habitat Enhances recreation May improve public access	Floodplains and wetlands help to slow down and absorb flood waters, reducing flood hazards downstream Natural lakeshores are more resilient to erosion during severe weather and flood events
ROADS	Reduces pollution by slowing/controlling rain/snowmelt runoff and erosion from roads	 	Cost-effective Reduces future road maintenance costs Improves public safety	Improved road drainage and erosion prevention makes our transportation networks more resilient to erosion during heavy rainfall events and flooding
WASTEWATER	Reduces pollution by improving wastewater treatment infrastructure	 	Protects public health and safety	Relocating infrastructure out of flood-prone areas improves community flood resilience Improving infrastructure reduces likelihood of sewer overflows during heavy rainfall events

Figure 3. Clean water projects across land use sectors—agriculture, developed lands, natural resources, roads, and wastewater. In addition to the benefits summarized above, clean water projects help to support compliance with the Vermont and federal Clean Water Act and may help to leverage additional federal funds.

Figure 3 Description: Photos display a variety of clean water projects such as: manure compost bins, stormwater treatment practices, floodplain restoration, dam removal, roadside ditch drainage, and wastewater treatment facilities.

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, from the *Vermont Clean Water Initiative 2022 Performance Report,* shows how from 2016 through 2022 the Clean Water Budget (all Clean Water Fund dollars and part of Capital Bill dollars) accounted for less than 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 Initiative Reports 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.

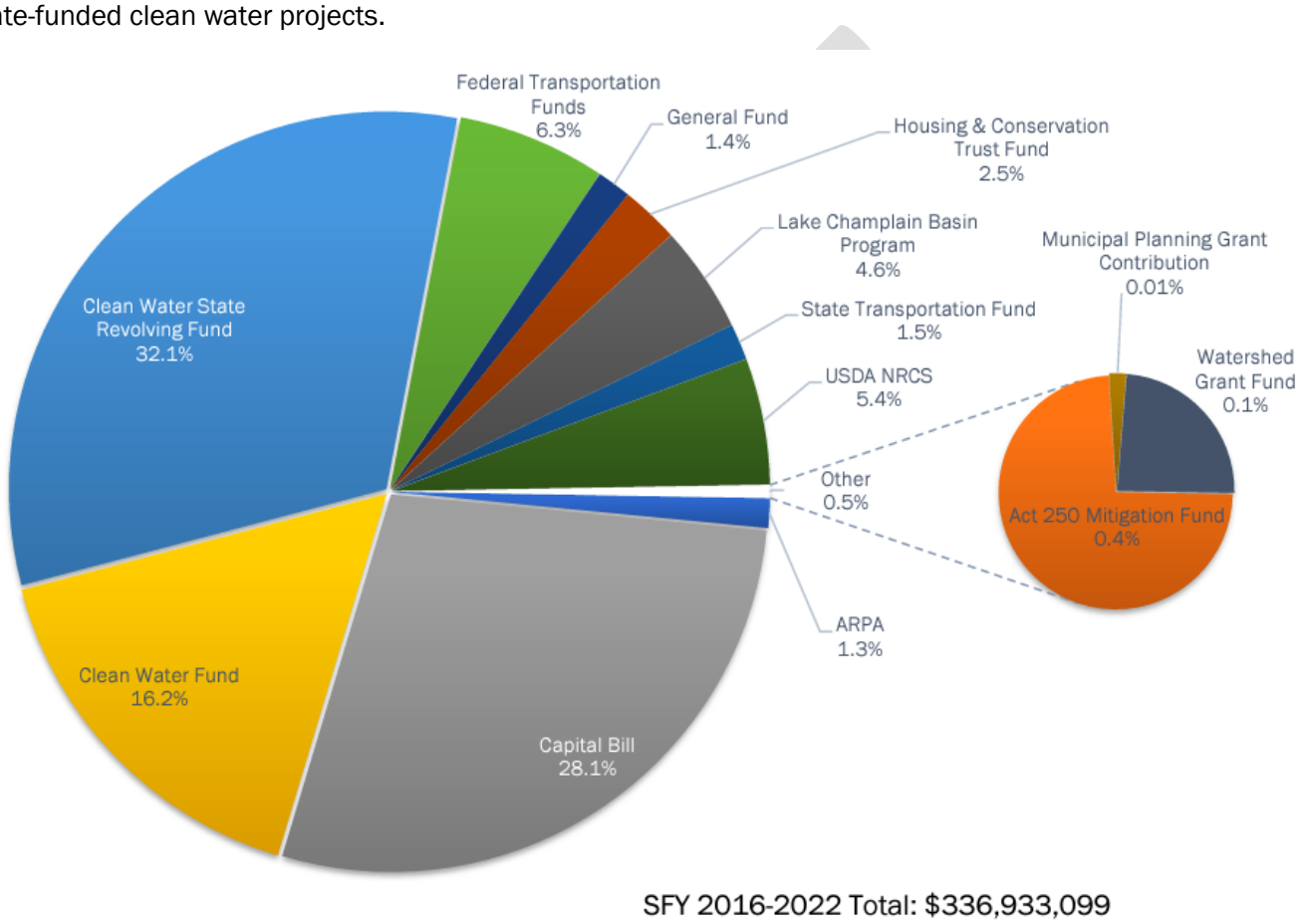


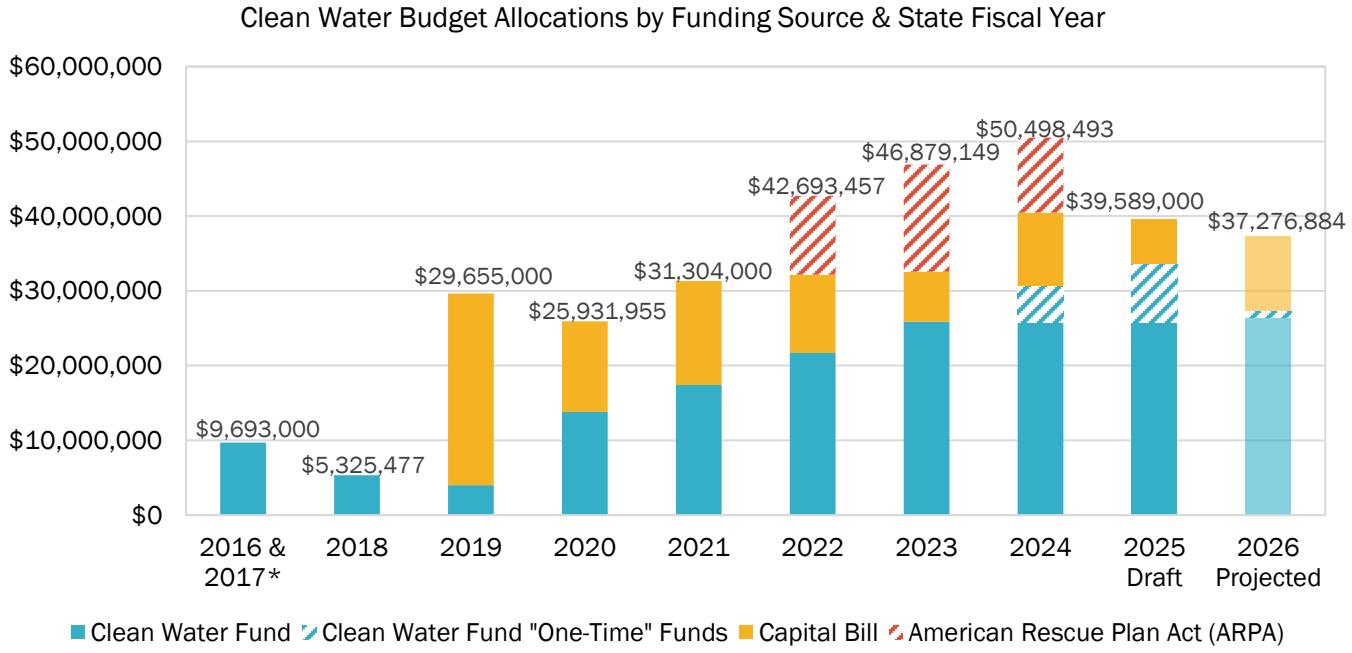
Figure 4. Statewide investments in clean water by funding source, SFY 2016-2022.[2]

Figure 4 Description: The figure above shows the proportion of dollars awarded to clean water projects through State of Vermont agencies from SFY 2016 through 2022 by funding or financing source (from Figure 9, page 18 of the Vermont Clean Water Initiative 2022 Performance Report).

[2] Investments reported include state and federal dollars awarded to projects by state agencies, but exclude federal funds awarded directly by federal agencies and the Lake Champlain Basin Program.

Clean Water Budget Over Time

The following figure below shows the historic ramping up of the Clean Water Budget, recommended by the Clean Water Board, since its inception in SFY 2016, to align with long term clean water funding needs. The SFY 2025 Clean Water Budget is estimated to be roughly $39.6 million. This represents an $8.9 million decrease in appropriations compared to prior year budget levels—the first time in five years that the Clean Water Budget has contracted. This is due to the loss of federal American Rescue Plan Act (ARPA) dollars, which were only available for appropriation in SFY 2022-2024. This is also due to a reduction in Capital Bill dollars appropriated for recommendation by the Clean Water Board in SFY 2025 from the roughly $10-12 million annual target down to $6 million.[3] The Clean Water Board decided in SFY 2024 to retain prior year unallocated/unreserved Clean Water Fund revenue for programming in SFY 2025 to mitigate the impact of the anticipated SFY 2025 budget contraction. Prior year Clean Water Fund unallocated/unreserved revenue are available in SFY 2025 to mitigate impacts of budget contraction. However, part of this balance will need to be programmed to fill the $4 million gap for SFY 2025 in the Capital Bill. See the "Summary of SFY 2025 Budget Drafting Approach" section of this document for more information.



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

Figure 5. Total Clean Water Budget allocations/appropriations by funding source over time, SFY 2016-2024 actuals, 2025 proposed, and 2026 projected.

Figure 5 Description: The Clean Water Budget was steadily increasing until SFY 2024. ARPA funds are no longer available in SFY 2025, contributing to a decrease in the total SFY 2025 budget. Values for SFY 2025-2026 are subject to change.

[3] The Governor's recommended SFY 2024 budget included a $10 million one-time appropriation for Municipal Pollution Control Grants from the proposed "Capital Expenditure Cash Fund" in the SFY 2024 Appropriations Bill (H.494 of 2023) in-lieu of Capital Bill bonded dollars. The SFY 2024 Appropriations Bill as enacted (Act 78 of 2023) appropriated $4 million in one-time funds for Municipal Pollution Control Grants from the Cash Fund, retitled "Cash Fund for Capital and Essential Investments." In addition to the Appropriations Bill, the Clean Water section of the Capital Bill as enacted (Act 69 of 2023) appropriated another $4 million in SFY 2024 bonded dollars for Municipal Pollution Control Grants, which was funded by reducing the SFY 2025 Clean Water section of the Capital Bill from $10 million to $6 million.

SFY 2025 Clean Water Budget Overview

This SFY 2025 Clean Water Budget Overview contains the following information:

- SFY 2025 Clean Water Budget total targets by funding source;
- The proposed SFY 2025 Clean Water Budget sheet;
- Summary of budget drafting approach for SFY 2025; and
- Proposed SFY 2025 Clean Water Budget line-item descriptions of each budget program/activity.

Please visit the Clean Water Board's webpage where additional educational materials will be posted at the launch of the SFY 2025 Clean Water Budget public comment period, including contents of this document displayed in a Story Map format and the recording and slides of the SFY 2025 Clean Water Budget presentation by agency staff..

SFY 2025 Clean Water Budget Totals by Funding Source

The SFY 2025 Clean Water Budget totals approximately $39.6 million proposed for appropriation, made up of roughly $25.8 million in forecasted SFY 2025 Clean Water Fund revenue, $7.8 million in unallocated/unreserved Clean Water Fund revenue (of which $4 million is proposed to fill the gap in base Capital Bill funding and $3.8 million is proposed to be programmed as "one-time" funds), and $6 million from the Clean Water section of the Capital Bill.[4] The proposed SFY 2025 Clean Water Budget sheet on Page 7 shows the proposed allocation of funds across programs/activities and funding sources.

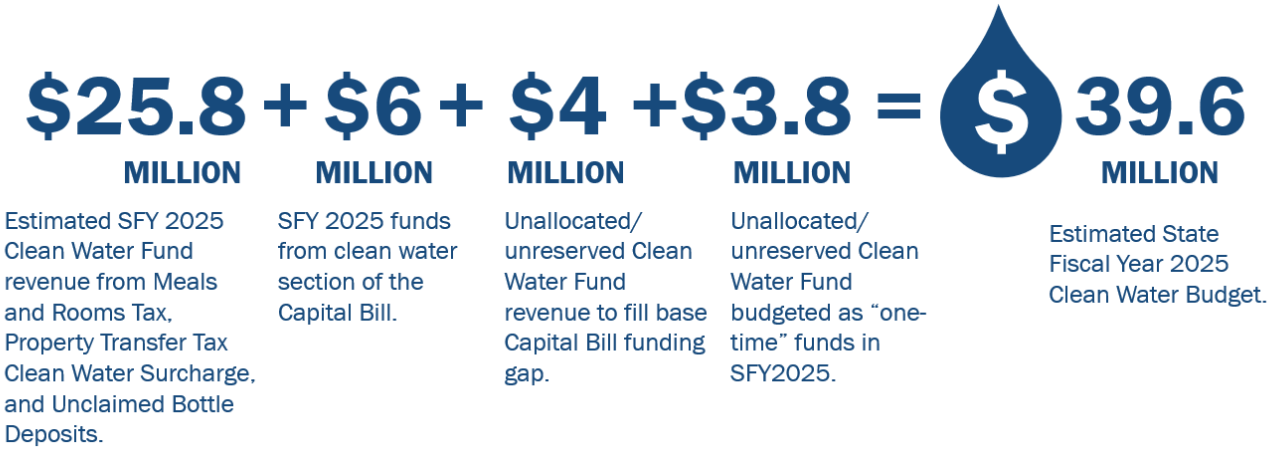


Figure 6. SFY 2025 Clean Water Budget totals

Figure 6 Description: See paragraph above Figure 6 for explanation of figure.

[4] The Governor's recommended SFY 2024 budget included a $10 million one-time appropriation for Municipal Pollution Control Grants from the proposed "Capital Expenditure Cash Fund" in the SFY 2024 Appropriations Bill (H.494 of 2023) in-lieu of Capital Bill bonded dollars. The SFY 2024 Appropriations Bill as enacted (Act 78 of 2023) appropriated $4 million in one-time funds for Municipal Pollution Control Grants from the Cash Fund, retitled "Cash Fund for Capital and Essential Investments." In addition to the Appropriations Bill, the Clean Water section of the Capital Bill as enacted (Act 69 of 2023) appropriated another $4 million in SFY 2024 bonded dollars for Municipal Pollution Control Grants, which was funded by reducing the SFY 2025 Clean Water section of the Capital Bill from $10 million to $6 million. Acknowledging the $4 million gap associated with the Capital Bill SFY 2025 Clean Water Budget target being lowered from the roughly $10-12 million annual target down to $6 million, the SFY 2025 Clean Water Budget proposes to fill the $4 million base Capital Bill gap from the Clean Water Fund unallocated/unreserved revenue balance.

Clean Water Board's Proposed SFY 2025 Clean Water Budget Recommendation (October 9, 2023)

			SFY25 BASE FUNDS					SFY25 ONE-TIME FUNDS					
No.	Agency:	Activity:	Clean Water Fund	Capital Bill (SFY25 Capital Budget Target = $6m)	Filling the $4m Base Gap from SFY25 Capital Bill with Clean Water Fund Unallocated/ Unreserved	Subtotal Base Funds	$ FY25 Compared to $ FY24 Base Funds	Clean Water Fund Prior Year Unallocated/ Unreserved	American Rescue Plan Act (ARPA)[2]	Subtotal One-Time Funds	$ FY25 Compared to $ FY24 One-Time Funds	Total $ FY25 (Base + One-Time)	$ FY25 Total Compared to $ FY24 Total
Clean Water Budget Initiative: Priority Tier 1 (Items of Equal Priority)													
1.1	ANR-DEC (CWI/P)	Water Quality Participation Forms to Grants to Clean Water Service Providers & O&M	7,210,000			7,210,000	-	1,150,000		1,150,000	-	8,360,000	-
1.2	ANR-DEC (CWI/P)	Basin Planning, Basin Water Quality Council Participation, Education, and Outreach	630,000			630,000	-	-		-	-	630,000	-
1.3	*Water Quality Enhancement Grants*												
1.31	ANR-DEC (CWI/P)	Statewide Non-regulation Clean Water Projects	5,000,000			5,000,000	-	-		-	-	5,000,000	-
1.32	VHCB	Land Conservation and Water Quality Projects			2,000,000	2,000,000	-	-		-	-	2,000,000	-
1.4	AAFM	Water Quality Grants to Farmers and Farms	6,696,887	550,000	1,200,000	8,446,887	435,299	213,113		213,113	(2,736,887)	8,660,000	(2,301,588)
1.5	*Agency and Partner Operating Support*												
1.51	AAFM	Program Support	900,000			900,000	33,750			-	-	900,000	33,750
1.52	ANR-DEC (CWI/P)	Program and Partner Support	1,020,000			1,020,000	76,250	700,000		700,000	293,750	1,720,000	370,000
Tier 1 $ SUBTOTAL			21,456,887	550,000	3,200,000	25,206,887	535,299	2,063,113	-	2,063,113	(2,443,137)	27,270,000	(1,595,838)
Tier 1 %of Total			82%	9%	39%	71%		64%		64%		69%	
Clean Water Budget Initiative: Priority Tier 2 (Items of Equal Priority)													
2.1	*Outreach and Implementation of Forestry Acceptable Management Practices for Maintaining Water Quality*												
2.11	ANR-FPR	Forest Water Quality Practices and Portable Skidder Bridges	144,000			144,000	387			-	-	144,000	387
2.12	ANR-FPR	Implement 18 Miles of State Forestry, Parks, and Recreational Access Roads		550,000		550,000	-			-	-	550,000	-
2.2	*Municipal Stormwater Implementation*												
2.21	VTrans	Municipal Roads Grants-in-Aid (MRGP)	2,200,000			2,200,000	-			-	-	2,200,000	-
2.22	VTrans	Municipal Better Roads (MRGP)	1,200,000			1,200,000	-	1,000,000		1,000,000	1,000,000	2,200,000	1,000,000
2.23	VTrans	Winooski Bay Federal Earmark (Non-Federal Match)[3]				-	-			-	(1,000,000)	-	(1,000,000)
2.24	ANR-DEC (CWI/P)	Municipal Three-Acre General Permitted MS4[4]				-	(1,000,000)			-	(1,000,000)	-	(5,000,000)
2.3	VHCB	Water Quality Farm Improvement and Retirement Projects			300,000	300,000	-			-	-	300,000	-
2.4	ANR-DEC (CWI/P)	Innovative or Alternative Technologies or Practices to Improve Water Quality				-	-	750,000		750,000	650,000	750,000	650,000
Tier 2 $ SUBTOTAL			4,144,000	550,000	300,000	5,494,000	(535,613)	1,750,000	-	1,750,000	(5,450,000)	7,244,000	(7,449,613)
Tier 2 %of Total			16%	9%	3%	18%		36%		36%		18%	
Clean Water Budget Initiative: Priority Tier 3													
3.1	ANR-DEC (MIP)	Developed Lands Implementation Grants[5]	-	-	-	-	-	-	-	-	-	-	-
Tier 3 $ SUBTOTAL			-	-	-	-	-	-	-	-	-	-	-
Tier 3 %of Total			0%	0%	0%	0%		0%		0%		0%	
Clean Water Budget Other Priorities													
4.1	ANR-DEC (Lakes)	Lakes in Crisis Fund	120,000			120,000	-			-	-	120,000	-
4.2	AoA	Stormwater Utility Pass-through ($25K each)	25,000			25,000	25,000			-	(100,000)	25,000	(75,000)
4.3	ACCD	Bike Connections and Downtown Transportation Fund				-	-	-		-	-	-	-
	Capital Bill Priorities												
4.4	ANR-DEC (MIP)	State Match to Clean Water (State Revolving Fund (CWSRF) Federal Grant[6]		1,600,000		1,600,000	1,267,619			-	-	1,600,000	1,267,619
4.5	ANR-DEC (MIP)	Municipal Pollution Control Grants		3,200,000		3,200,000	(100,000)	-		-	-	3,200,000	(100,000)
Other $ SUBTOTAL			145,000	4,800,000	-	4,945,000	592,619	-	-	-	(100,000)	4,945,000	492,619
Other %of Total			0.6%	82%	0%	16%		0%		0%		12%	
		Total Proposed for Appropriation[7]	25,775,887	6,000,000	4,000,000	35,775,887	125,644	3,813,113	-	3,813,113	(8,033,137)	39,535,000	(8,949,450)
		Anticipated SFY25 Revenue/Sources	25,775,887	6,000,000		31,775,887				-		31,775,887	
		Estimated Unallocated/Unreserved Clean Water Fund Reserves			4,000,000	4,000,000		4,701,669		4,701,669		8,701,669	
		Anticipated Total Available[8]	25,775,887	6,000,000	4,000,000	35,775,887		4,701,669	-	4,701,669		40,477,556	
		Balance =Total Available-Total Requested	-	-	-	-		888,556		888,556		888,556	

Proposed $ FY 2025 Clean Water Budget by Agency:			SFY25 BASE FUNDS					SFY25 ONE-TIME FUNDS					
		Agency:	Clean Water Fund	Capital Bill (SFY25 Capital Budget Target = $6m)	Filling the $4m Base Gap from SFY25 Capital Bill with Clean Water Fund Prior Year Unallocated/ Unreserved	Subtotal Base Funds	SFY25 Base Compared to SFY24 Base	Clean Water Fund Prior Year Unallocated/ Unreserved	American Rescue Plan Act (ARPA)[2]	Subtotal One-Time Funds	SFY25 Compared to SFY24 One-Time Funds	Total SFY25 (Base + One-Time)	SFY25 Total Compared to SFY24 Total
		AAFM	7,596,887	550,000	1,200,000	9,346,887	469,049	213,113	-	213,113	(2,736,887)	9,560,000	(2,267,839)
		ACCD	-	-	-	-	-	-	-	-	-	-	-
		ANR (DEC)	14,010,000	4,800,000	-	18,810,000	(356,731)	2,600,000	-	2,600,000	(5,181,250)	21,410,000	(5,537,981)
		ANR (FPR)	144,000	550,000	-	694,000	387	-	-	-	-	694,000	387
		AoA	25,000	-	-	25,000	25,000	-	-	-	(100,000)	25,000	(75,000)
		VHCB	-	-	2,800,000	2,800,000	-	-	-	-	-	2,800,000	-
		VTrans	4,000,000	-	-	4,000,000	-	1,000,000	-	1,000,000	-	5,000,000	-
		Total Proposed for Appropriation[7]	25,775,887	6,000,000	4,000,000	35,775,887	125,644	3,813,113	-	3,813,113	(8,033,137)	39,535,000	(8,949,450)

Footnotes:

[1] - The Capital Bill operates on a biennial basis, with the 2023 Capital Bill covering SFY24-25. The Capital Bill "as passed" (Act 78 of 2023) reduced the SFY25 total for allocation by the Clean Water Board to the SFY25 Clean Water Budget from the roughly $10-12 million target to $6 million.

[2] - The State of Vermont legislature appropriated American Rescue Plan Act (ARPA) funds to be recommended for allocation by the Clean Water Board in SFY22, SFY23, and SFY24. ARPA funds are no longer available in SFY25. The ARPA column is included in the SFY25 Clean Water Budget to allow for purposes of comparison to the SFY24 Clean Water Budget.

[3] - The "Winooski Bay Federal Earmark (Non-Federal Match)" line item was a one-time expense in SFY24 and is not needed to continue in SFY25. It is included here for purposes of comparison between SFY24 and SFY25. See SFY24 Clean Water Budget materials for more information.

[4] - The "Municipal Three-Acre General Permitted MS4" line item was primarily funded with American Rescue Plan Act (ARPA) dollars, so no longer available in SFY25, but will be encumbered/expended through December 2026. In SFY25, activities previously supported by this line item will transition to a combination of Lake Champlain Basin Program federal funding and CWSRF funding.

[5] - "Three-Acre General Permit projects", which are the focus of the "Developed Lands Implementation Grants" line item, were primarily funded with American Rescue Plan Act (ARPA) dollars. ARPA dollars are no longer available for budgeting in SFY25, but will be encumbered/expended through December 2026. Three-Acre General Permit projects will continue to transition to a financing structure.

[6] - The SFY24 Appropriations Bill (Act 78 of 2023) established a "Clean Fund for Capital and Essential Investments" to cover required state match to receive bipartisan Infrastructure Law (BIL) resources through the Clean Water State Revolving Fund (CWSRF). In SFY25, $2.205 million in match has been anticipated by the General Assembly under the SFY25 Capital Bill from the Clean Fund to draw down BIL CWSRF resources.

[7] - The SFY24 Clean Water Budget total amount proposed for appropriation was $45,495,450, shown less for purposes of comparison between SFY24 and SFY25 Clean Water Budgets. In addition to the total proposed for appropriation, $2 million were investments in the SFY24 Clean Water Budget for the Clean Water Fund Contingency Risk Reserve. Total SFY24 Clean Water Budget appropriations and investments was $50,495,450.

[8] - Projected SFY25 Clean Water Fund revenues are based on the consensus revenue forecast adopted by the Vermont Emergency Board at its July 2023 meeting, and matched to the August 2023 Clean Water Fund operating statement. Prior year unallocated/unreserved Clean Water Fund reserves are determined based on the difference between prior year actual total revenues and total appropriations.

Total $ FY24 and $ FY25 Clean Water Budget Appropriations

Funding Source	$ FY24	$ FY25	$ FY25 Compared to $ FY24
Clean Water Fund Revenue	25,782,243	25,775,887	125,644
Capital Bill	9,895,000	6,000,000	(3,895,000)
Clean Water Fund Revenue - Unallocated/Unreserved	-	4,000,000	4,000,000
Base Appropriation Subtotal	35,647,243	35,775,887	125,644
ARPA	10,000,000	-	(10,000,000)
Clean Water Fund Revenue - Unallocated/Unreserved	2,851,250	3,813,113	961,863
One-Time Appropriation Subtotal	12,851,250	3,813,113	(9,037,137)
Total Appropriation	48,498,493	39,589,000	(8,949,493)

Summary of SFY 2025 Budget Drafting Approach

The SFY 2025 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 2025 Clean Water Fund revenue was pulled from the August 2023 Clean Water Fund Operating Statement, which projects $25.8 million in revenue.

    b. The Clean Water section of the Capital Bill allocated $6 million in SFY 2025 for recommendation by the Clean Water Board. The Capital Bill operates on a biennial basis, with the 2023 Capital Bill covering SFY 2024-2025. The Capital Bill "as passed" (Act 78 of 2023) reduced the SFY 2025 total for allocation by the Clean Water Board in the SFY 2025 Clean Water Budget from the roughly $10-12 million annual target to $6 million.[5]

    c. The August 2023 Clean Water Fund Operating Statement projects a total balance of $8.7 million in unallocated/unreserved revenue available for allocation in SFY 2025, *if SFY 2024 revenue performs as currently projected*. This current draft SFY 2025 Clean Water Budget only allocates $7.8 million in unallocated/unreserved revenue to be conservative, described as follows.

        i. Unallocated/unreserved Clean Water Fund revenue are determined based on the difference between total revenue and total appropriations.

        ii. This unallocated/unreserved revenue is mainly due to a notable increase in SFY 2022-2023 actual revenue compared to forecasted revenue and total appropriations. This trend is likely a result of pent-up demand following the COVID-19 Pandemic and is not expected to continue.

        iii. The SFY 2024 Clean Water Budget intentionally reserved a portion of prior year unallocated/unreserved revenue for the SFY 2025 Clean Water Budget, with the intent of offsetting the overall SFY 2025 budget contraction associated with the end of ARPA funding.

        iv. Acknowledging the $4 million gap associated with the Capital Bill SFY 2025 Clean Water Budget target being lowered from the roughly $10-12 million annual target down to $6 million, the SFY 2025 Clean Water Budget proposes to fill the $4 million base Capital Bill gap from the Clean Water Fund unallocated/unreserved revenue balance. Rather than requesting to fill the gap from the Capital Bill, this approach acknowledges anticipated infrastructure pressures on the Capital Bill due to the Summer 2023 flood events. However, to protect the integrity of the State of Vermont's long-term commitment to provide sufficient clean water funding, this use of Clean Water Fund revenue to fill a gap in the Capital Bill allocation must be viewed as a one-time emergency allocation. The State of Vermont relies on a long-term annual

[5] The Governor's recommended SFY 2024 budget included a $10 million one-time appropriation for Municipal Pollution Control Grants from the proposed "Capital Expenditure Cash Fund" in the SFY 2024 Appropriations Bill (H.494 of 2023) in-lieu of Capital Bill bonded dollars. The SFY 2024 Appropriations Bill as enacted (Act 78 of 2023) appropriated $4 million in one-time funds for Municipal Pollution Control Grants from the Cash Fund, retitled "Cash Fund for Capital and Essential Investments." In addition to the Appropriations Bill, the Clean Water section of the Capital Bill as enacted (Act 69 of 2023) appropriated another $4 million in SFY 2024 bonded dollars for Municipal Pollution Control Grants, which was funded by reducing the SFY 2025 Clean Water section of the Capital Bill from $10 million to $6 million.

commitment from the Capital Bill Clean Water section of roughly $10-12 million. This is integral in the state meeting requirements of 10 V.S.A. § 1387, "(3) To ensure success in implementing the Clean Water Initiative, the State should commit to funding the Clean Water Initiative in a manner that ensures the maintenance of effort and that provides an annual appropriation for clean water programs in a range of $50 million to $60 million as adjusted for inflation over the duration of the Initiative."

v. In addition to the $4 million proposed for allocation from unallocated/unreserved revenue to fill the gap in base Capital Bill funding, the budget proposes allocating an additional $3.8 million in unallocated/unreserved revenue as one-time funds, further described below.

2. "Base" SFY 2025 funding allocations were proposed per line item based on ongoing Clean Water Fund revenue projections and Capital Bill allocations.

    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 (AAFM) match required to leverage USDA-NRCS federal funds.

3. Base SFY 2025 funding amounts were then parsed out by Clean Water Fund and 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; 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 2025 are based on prior year actual and current year projected unallocated/unreserved Clean Water Fund revenue. 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 proposed SFY 2025 Clean Water Budget, with the targeted goals to:

        i. Provide stability during the ongoing contraction of the Clean Water Budget, with the final year of ARPA funding in SFY 2024 and projected contractions in Clean Water Fund revenue in SFY 2024-2026;

ii. Fill discrete/short-term gaps, such as funding updated Municipal Road General Permit Road Erosion Inventories and to mitigate impacts of the July 2023 flood events on clean water partner organizational capacity and/or clean water project performance; and

iii. Replenish line items established with an initial allocation intended to be "replenished" on an as-needed basis. See "Innovative or Alternative Technologies or Practices to Improve Water Quality" under Agency of Natural Resources' SFY 2025 Clean Water Budget Line-Item Descriptions for more information.

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 funding prioritization approach, initially developed for SFY 2023, where 60% of the budget went to Tier 1 initiatives, 30% went to Tier 2 initiatives, and 10% went to Tier 3 and "other" initiatives, was modified in SFY 2025. The SFY 2025 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 2025 Clean Water Budget allocates funds across priority tiers as follows.

   a. Overall Clean Water Budget Prioritization: 69% of the total Clean Water Budget is allocated to Tier 1 initiatives, 18% to Tier 2 initiatives, 0% to Tier 3 initiatives, and 13% to "other" initiatives.

      i. The reduction in Tier 2 initiatives from the usual 30% to 18% of overall funds and the continued 0% of overall funds to Tier 3 initiatives factors availability of Lake Champlain Basin Program federal dollars, Clean Water State Revolving Fund financing, and ongoing ARPA funds to support municipal stormwater implementation and developed lands implementation priorities. See descriptions of line items 2.24 and 3.1 for more information.

   b. Clean Water Fund Prioritization: Clean Water Fund dollars are programmed across three columns in the SFY 2025 Clean Water Budget—base "Clean Water Fund", base "Filling the $4m Base Gap from SFY 2025 Capital Bill with Clean Water Fund Unallocated/Unreserved", and one-time "Clean Water Fund Unallocated/ Unreserved." Clean Water Fund dollars were allocated in closest alignment with the Clean Water Fund's statutory priorities. Across all three categories, 79.6% of Clean Water Fund dollars is allocated to Tier 1 initiatives, 20% to Tier 2 initiatives, 0% to Tier 3 initiatives, and 0.4% to "other" initiatives.

   c. Capital Bill Prioritization: 82% of Capital Bill dollars are first programmed into traditional "Capital Bill Priorities" line items, followed by 9% allocated to Tier 1 and 9% allocated to Tier 2 line items that are traditionally funded in part by Capital Bill dollars.

6. Finally, the Clean Water Fund Contingency Reserve remains whole at the $2.5 million level established in the SFY 2024 Clean Water Budget.

   a. Activation of the Contingency Reserve is not needed at the time of developing the SFY 2025 Clean Water Budget, as revenue are performing within 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 2024).

   b. Once the updated Clean Water Fund Contingency Reserve Plan is approved by the Clean Water Board (scheduled for review/approval in February 2024), the Contingency Reserve may also be activated to remediate clean water project loss for projects implemented/adopted under

Water Quality Restoration Formula Grants only. However, there have been no reported project losses for projects implemented/adopted under Water Quality Restoration Formula Grants at the time of developing the SFY 2025 Clean Water Budget.

SFY 2025 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 2025 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 2024. Therefore, the SFY 2025 budget proposes to provide funds to St. Albans Town for the fourth year of the five-year commitment. Municipalities are only eligible to receive stormwater utility payments if the utility is established with a dedicated revenue/funding source. These funds are appropriated through the Agency of Administration.

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 typically funded from the Capital Bill. However, in the SFY 2025 Clean Water Budget, these programs may be funded from Clean Water Fund revenue due to the reduction in the SFY 2025 Capital Bill target from the typical $10-12 million to $6 million, and the loss of federal American Rescue Plan Act (ARPA) dollars, which were only available for appropriation in SFY 2022-2024.

  - 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 primarily used to match federal funding through U.S. Department of Agriculture Natural Resources Conservation Service (NRCS), providing additional cost-share on a project (roughly 10-30% match). 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 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 2025 Clean Water Budget continues a temporary pause on funding for this line item, which will be re-evaluated in SFY 2026.

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. Eligible non-regulatory clean water project types that can be funded under Formula Grants are described in the ANR-DEC Clean Water Initiative Program's (CWIP) Funding Policy. 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.

The following summarizes how line-item funds are allocated across and within each program area.

- As with SFY 2024, in SFY 2025 the ANR-DEC CWIP will combine Water Quality Restoration Formula Grant funds with operation & maintenance (O&M) funds in a single line item to allow for the flexibility to assign funds where they are most needed when SFY 2025 Formula Grant funds are implemented. The ANR-DEC CWIP will maintain the ability to track the expenditure of funds on project installation versus O&M.
- 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 contracts 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 grants 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 2025 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 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 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 proposed SFY 2025 Clean Water Budget 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 2025 one-time Clean Water Funds are earmarked to boost short term investments in clean water partner capacity. The SFY 2025 Clean Water Budget also includes one-time funds under this line item to mitigate impacts of Vermont's Summer 2023 flood events on clean water project performance and may be available to repair damage to projects that rise above an operation and maintenance-level fix.

  - 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 unmet organizational capacity and training needs for partners to ensure a strong partnership network to deliver high quality and high priority clean water projects.

  - 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 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.

  - Supports professional service contracts and MOUs that provide centralized technical tools and expertise necessary for the success of certain clean water projects such as River Corridor Easements and Stream Geomorphic Assessments.

  - Funds 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 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.

  - Supports co-leveraged 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 $94,000 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 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.

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 to state lands. The funding levels for this line item in SFY 2024-2025 is reflective of prior year leftover funds, as FPR is building its capacity to efficiently deliver these projects (for context, this line item has received $4.2 million total SFY 2021-2024 Clean Water Budgets). This line item contains funding (approximately $150,000) for State Lands Foresters 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 2025 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 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 $2 million in Lake Champlain Basin Program federal funds to support these activities, to be co-administered with CWSRF loan financing beginning in calendar year 2024.

- 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 $20.7 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." Most recently, the Clean Water Budget supported innovation through the Vermont Phosphorus Innovation Challenge. As the Vermont Phosphorus Innovative Challenge sunsets, this line item was populated in SFY 2024 with "one-time" funds that will be replenished on an as-needed basis to serve as available match for applied innovative or alternative research in clean water work.

In SFY 2024, this line item supported an Alum Treatment Feasibility Study 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 2025, one-time funds are anticipated to support an in-lake phosphorus inactivation project, pending the results of the Alum Treatment Feasibility Study for Lake Carmi. If the study recommends an alum treatment, ANR-DEC expects that the Clean Water Budget would partially cover costs of the alum treatment and other local funding/financing sources (e.g., CWSRF loan) may be leveraged to cover the full costs of the treatment. Implementation of an alum treatment is eligible for financing under the CWSRF Bipartisan Infrastructure Law Emerging Contaminants Program, pursuant to EPA guidance.

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. The SFY 2025 Clean Water Budgets recognizes the ongoing availability of $37.9 million in ARPA funds to support these activities. ARPA dollars were directly appropriated to ANR-DEC from SFY 2022 through 2024 and will be encumbered/expended through December 2026. Ultimately, a financing structure will replace ARPA programs to serve as the Developed Lands Implementation Grant Program, designed and administered by the ANR-DEC Water Infrastructure Finance Program. As such, to relieve pressure on the Clean Water Fund, the SFY 2025 Clean Water Budget proposes no additional funds to this program.

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 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 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 *Lake Carmi 2022 Progress Report*, 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. Lakes in Crisis Funds may be used to implement the Crisis Response Plan and/or a Lakes in Crisis Order. Currently, Lakes in Crisis Funds are only used to implement the Crisis Response Plan, with local match incentivized but not required. In the event the Funds were used to support implementation of a Lakes 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. Lakes in Crisis funds support implementation of the Lake Carmi Crisis Response Plan, including ongoing water quality monitoring activities and Lake Carmi aerator operating expenses.

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 will depend on the final federal grant award amount,

which is dependent on national-scale federal earmark appropriations across the 50 states. Any funds not required to cover this match will be reallocated to the Municipal Pollution Control Grant line item 4.5.

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 2025 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 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.

Pursuant to the 2023 Capital Bill (Act 78 of 2023) "The Board shall submit a report with the list of programs recommended for FY 2025 to the Chairs of the House Committee on Corrections and Institutions and the Senate Committee on Institutions and to the Governor for the FY 2024 capital budget adjustment report. The report shall include a recommendation on whether there are any other funding sources that may be used for municipal pollution control grants in FY 2025."

In SFY 2025, the Clean Water Budget proposes continued funding of Municipal Pollution Control Grants through the Clean Water section of the Capital Bill. Acknowledging the $4 million gap associated with the Capital Bill SFY 2025 Clean Water Budget target being lowered from the roughly $10-12 million annual target down to $6 million, the SFY 2025 Clean Water Budget proposes to fill the $4 million base Capital Bill gap from the Clean Water Fund unallocated/unreserved revenue balance. This approach is only feasible for one year in SFY 2025. The state relies on the full $10-12 million allocated in the Capital Bill Clean Water section to meet its long-term annual commitment under 10 V.S.A. § 1387. See "Summary of SFY 2025 Budget Drafting Approach" section of this document for more information.

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.

  - 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 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 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.

In SFY 2025, the Clean Water Budget includes one-time funds to support road erosion inventories under the updated Municipal Roads General Permit. VTrans estimates $3 million in total funding need for updated inventories. The SFY 2025 budget anticipates covering roughly one-third of the need with one-time funds, with the remaining demand covered by other funding sources and/or in subsequent years.

  - 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 proposed $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.

Typically funded from the Capital Bill, the SFY 2025 Clean Water Budget proposes to support this line item with unallocated/unreserved Clean Water Fund revenue that are being programmed to fill the one-time $4 million gap resulting from the reduction in the SFY 2025 Capital Bill target from the typical $10-12 million to $6 million.

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 (USDA-NRCS) projects.

Typically funded from the Capital Bill, the SFY 2025 Clean Water Budget proposes to support this line item with unallocated/unreserved Clean Water Fund revenue that are being programmed to fill the one-time $4 million gap resulting from the reduction in the SFY 2025 Capital Bill target from the typical $10-12 million to $6 million.