

The Vermont Clean Water Fund Board

Meeting Notes

Date/Time: Thursday, April 27, 2017, 10:00am – 11:30am

Location: National Life Davis Building – The Catamount Room, N215

Clean Water Fund (CWF) Board Members/Designees:

Bradley Ferland, Agency of Administration (AoA) Deputy Secretary designated to represent Susanne Young, AoA Secretary and CWF Board Chair

Joe Flynn, Agency of Transportation (VTrans) Secretary

Julie Moore, Agency of Natural Resources (ANR) Secretary

Michael Schirling, Agency of Commerce and Community Development (ACCD) Secretary

Anson Tebbetts, Agency of Agriculture, Food and Markets (AAFM) Secretary

Attendees:

Emily Bird, Department of Environmental Conservation (DEC)

Emily Boedecker, DEC

Diane Bothfeld, AAFM

Jared Carpenter, Lake Champlain Committee

Ray Doherty, AAFM

Kari Dolan, DEC

Daniel Dutcher, VTrans

Rebecca Ellis, DEC

Nancy Everhart, Vermont Housing and Conservation Board (VHCB)

Marcey Hodgdon, AAFM

Joanna Pallito, DEC

Liz Ruffa, Common Good Vermont

Sue Scribner, VTrans

James Sherrard, Town of Williston

Andrew Stein, Department of Taxes

George Twigg, Office of Congressman Peter Welch

Sam Winship, AoA

Welcome

AoA Deputy Secretary Bradley Ferland

Review of FY18 CWF Budget Process

ANR Secretary Julie Moore

Reviewed FY18 and FY19 CWF budget process and status of budget process. See attached meeting materials for budget processes.

Update on CWF Property Transfer Surcharge Receipt Revenues

Department of Taxes Research Economist Andrew Stein and AoA Senior Budget and Management Analyst Sam Winship

Reviewed Clean Water Surcharge revenues, including FY17 forecast, actuals, and trends and FY18 forecast. See attached meeting materials.

FY17 receipt revenues are tracking above forecast, just below \$5.4 million. This is, in part, due to a one-time influx of \$350,000 caused by an adjustment in how payments are processed for the Clean Water Surcharge in a new tax system, which allowed for quicker transfer of funds into the CWF, addressing a backlog of older revenues.

Department of Taxes simulated receipt revenues to develop an accurate FY18 forecast, shown in meeting materials. Model used to simulate future revenues estimates 6.3 percent growth in the Property Transfer Tax in FY19, which would result in a 4 percent increase for the Clean Water Surcharge, as the Surcharge only applies to marginal value of property transfer greater than \$100,000.

Department of Taxes clarified that a transfer of property title must occur to generate revenue. Recent large real estate transactions associated with ski areas involved stock sales, not transfer of title, and therefore did not increase revenues for the CWF.

Review of FY18 CWF Allocations and Discussion of any Adjustments based on Receipts

Clean Water Initiative Program (CWIP) Manager Kari Dolan

Reviewed final FY18 CWF allocations. See attached meeting materials.

FY18 revenues are expected at approximately \$5 million with 10 percent contingency in the event the CWF underperforms. However, Department of Taxes estimated higher than forecasted revenue for FY17. FY18 allocations were updated to provide \$375,000 to AAFM to support operating costs, using the anticipated increase in FY17 CWF revenues (see Sec. D.101(a)(2) of H. 518).

At the time of this meeting, the CWF budget is going through legislative process to incorporate the additional \$375,000 into the AAFM operating budget. AAFM had planned for the operating funds to come from the small farm certification fee. The status of the fee bill is unknown for next year, and AAFM would need to continue requesting funding from the CWF if no new fees are applied to cover operating costs. FY18 CWF revenue forecast does show an increase in expected total revenues, but not enough to cover AAFM operating costs in the following year. More information will be available prior to final submission of the FY19 budget and adjustments can be made as needed.

Discussion of Options for Managing any Unexpended FY17 Funds

AoA Deputy Secretary Bradley Ferland

Reviewed the status of spending FY16-17 CWF dollars. See attached meeting materials. Of the \$9.7 million FY16-17 CWF dollars, \$692,476 is unencumbered and in the process of being encumbered by the end of FY17 (i.e., June 30, 2017).

Question, Sue Scribner, VTrans: VTrans Better Roads program awarded all FY17 dollars to projects by July 1, 2016. Some municipalities overestimated project costs and projects came in under budget, resulting in unexpended FY17 funds. Can these FY17 dollars rollover to new project awards that will begin work July 1, 2017?

Response, AoA Deputy Secretary Bradley Ferland: If funds were budgeted at the program-level, FY17 funds can rollover within the same program for new FY18 awards. If funds were budgeted at the project-level, those funds would not be able to rollover for the following year. VTrans spending authority is established in the Transportation Bill and recommend incorporating rollover funds in the carry forward memorandum.

In FY18, it will be very important for State agencies to demonstrate to the Legislature the ability to spend clean water funding in a timely and effective manner, maximizing every dollar dedicated to clean water projects. Clean water funding should not be requested if funds will not be spent within 1-2

years. This will be critical in working with the Legislature in securing additional clean water funding in the FY19 budget process under the FY19 Capital Bill. Legislative committees will need to know the status of expending clean water appropriations in real time on a cash basis to avoid threatening FY19 allocations with the appearance that funding is unneeded.

Question regarding LiDAR CWF allocation, VTrans Secretary Joe Flynn: Are State agencies coordinating on application of LiDAR mapping?

Response, ANR Secretary Julie Moore: LiDAR efforts are coordinated among ACCD-Vermont Center for Geographic Information (VCGI), ANR, U.S. Geological Survey, and VTrans. CWF dollars were used to leverage competitive federal funding to complete LiDAR updates to bring the whole State up to state-of-the-art standards. LiDAR data are applied to identify water quality problems and priority project sites. LiDAR data resides with ACCD-VCGI and are publicly available and used/applied across agencies. At some point, there will need to be a discussion of a long-term maintenance plan for the LiDAR dataset, as these data have the greatest utility when current.

Accountability: Tracking Agencies' Clean Water Spending

CWIP Nonpoint Source Coordinator Emily Bird

Presented on accountability and reporting related to tracking agencies' clean water spending. See attached meeting materials for presentation slides.

Question, VTrans Secretary Joe Flynn: Are other states in the Long Island Sound watershed also working to track their clean water progress?

Response, CWIP Nonpoint Source Coordinator Emily Bird: Long Island Sound watershed states have been coordinating on plans to develop a watershed-wide tracking program. The direction of this effort will likely be impacted by U.S. Environmental Protection Agency's (EPA) Long Island Sound Nitrogen Strategy, currently under development, which will evaluate and update sources of nitrogen to the Sound and load reduction allocations. Vermont's primary role under the Long Island Sound Nitrogen Total Maximum Daily Load (TMDL) has been to optimize wastewater treatment facilities in the Connecticut River/Long Island Sound watershed for nitrogen treatment.

Question, Department of Taxes Research Economist Andrew Stein: How is U.S. EPA involved in tracking and accountability?

Response, ANR Secretary Julie Moore: U.S. EPA has issued a report card to Vermont on their progress implementing Phase 1 milestones of the Lake Champlain TMDL and the report card was favorable (Vermont has met thirteen of the sixteen Phase 1 implementation milestones). U.S. EPA will also issue report cards on Vermont's progress implementing Phase 2 implementation plans, incorporating quantitative measurements of progress meeting phosphorus load reduction targets.

Comment, DEC Commissioner Emily Boedecker: Need to make a coordinated effort to increase the visibility of clean water projects and sharing success stories about these projects. For example, installing signage for highly visible projects.

Comment, VTrans Secretary Joe Flynn: Agencies should coordinate to maximize the reach of clean water communication efforts and share opportunities for clean water outreach. It would be helpful to bring together agency Principal Information Officers for seamless communications.

Response, CWIP Manager Kari Dolan: The Interagency Communications Subcommittee to the CWF Board was established to coordinate clean water communications and is scheduled to meet in May. There may be opportunities to expand the role of the Interagency Communications Subcommittee to support the need for communications on clean water project successes.

Legislative Update and Discussion pertaining to the CWF Budget, Board Membership, Role of the State Treasurer, and Reporting

DEC Senior Counsel for Governmental Affairs Rebecca Ellis

Provided legislative updates pertaining to the CWF. See attached meeting materials.

Comment regarding Clean Water Working Group, ANR Secretary Julie Moore: We have encouraged the Legislature to adjust the proposed working group to include a total of five people with the goal to evaluate the feasibility of utilizing existing revenues before considering new fees, rather than drawing a foregone conclusion that new fees are necessary. Also, provided feedback to ensure the group has representation with the right set of expertise. For example, the proposed group is currently missing representation from the Department of Taxes and ACCD-VCGL.

Question, Diane Bothfeld, AAFM: How is this different from the interagency process to develop the Treasurer's Clean Water Funding Report?

Response, ANR Secretary Julie Moore: This process is distinct from the Treasurer's Report process, as it will be focused on evaluating the feasibility of redirecting existing and establishing new CWF revenues.

New process will be put into place in FY18 where agencies must submit projects proposed for capital funding to the Treasurer's Office for review to confirm capital eligibility. Recommended to coordinate this review process across agencies. Will need to ensure review process does not impact project timelines by coordinating with the Treasurer's Office ahead of time.

Comments from the Public

AoA Deputy Secretary Bradley Ferland

Nancy Everhart, VHCB: VHCB is looking forward to receiving assistance from ANR-DEC on best practices for tracking and reporting investments in clean water projects and the results of those investments.

George Twigg, Office of Congressman Peter Welch: Happy to hear about the work underway to track and account for clean water progress. Demonstrating the need for these investments and successes is important with the federal uncertainty around funding programs. At the federal-level, decisionmakers need to understand States are stepping up to make water quality improvements and the need for continued federal commitment to this work. A continuing resolution is about to pass for the federal budget through September 30, 2017, and debates will begin around the long-term budget. There has not been a lot of congressional support for cutting U.S. Department of Agriculture and U.S. EPA programs, especially with a strong rural constituency relying on these programs. It is unlikely to see a budget anything near what was initially proposed. It will be very helpful for Congress to see the

progress and investment reports around clean water in making the case to maintain federal commitments to water quality programs.

James Sherrard, Town of Williston: Appreciate the emphasis on communicating project successes and promoting project visibility. Vermont's MS4 communities (i.e., Municipal Separate Storm Sewer Systems) have spent a lot of time updating their public outreach website, now titled "Rethink Runoff" to show project success stories. MS4s would love to play a continued role in getting the word out about projects implemented and the benefits they provide to Vermont's waters. Many of the State's funding programs connect funding priorities back to Tactical Basin Plans, which is a great idea, but would also recommend funding priorities be tied to MS4 permit requirements and priority projects for implementing MS4 Flow Restoration Plans and Phosphorus Control Plans.

Liz Ruffa, Common Good Vermont: Common Good Vermont would like to support Vermont agencies and partners in exploring how social and environmental impact bonds and the concept of "paying for success" can better leverage clean water funding. Common Good Vermont can serve as a resource to connect the State with technical service, including the Harvard Kennedy School, to explore these tools.

Deb Shelby, Town of Bolton (comment shared via email): Town of Bolton is struggling to understand how water quality gains can be made by addressing erosion issues on municipal roads alone, where there are limited resources to address erosion issues on private roads/driveways. Requesting resources/technical assistance from State agencies on how municipalities can best address these challenges.

Next Meeting

AoA Deputy Secretary Bradley Ferland

The CWF Board meeting will be held in late-June to review draft FY19 CWF allocations and prepare for the first public comment period under the FY19 CWF budget process.

Adjourn