

Agenda

State of Vermont, Funding Clean Water Improvements Report

Date/Time: Wednesday, September 7, 2016, 9 AM- 10:30 AM
Location: Heritage Credit Union of Vermont - 50 West St., (upstairs conference room) Rutland, VT
Focus: Business Community

9:00 Welcome & Introduction, Act 64 (“Clean Water Act of 2015”) DED Commissioner Joan Goldstein

9:05 Act 64 Legislative Report State Treasurer Beth Pearce

9:10 Act 64 & U.S. EPA TMDL DEC Commissioner Alyssa Schuren

9:25 Act 64 Clean Water Fund DEC Watershed Management Division Director, Pete LaFlamme

9:35 Evaluation of Revenue Sources to Support the Clean Water Fund Tax Dept. Economist Andrew Stein
1. Preliminary List of revenue tools to support the Clean Water Fund DEC Comm’r Alyssa Schuren
2. Review and rank criteria for analyzing revenue tools

9:45 Questions and Answers Deputy Treasurer Michael Clasen

10:20 Discussion of Next Steps State Treasurer Beth Pearce

10:30 Adjourn

Handouts

“Invest in Clean Water, Invest in Our Economy” Handout
“The Economic Impact of Clean Water” Handout
Excerpt from 2015 Act 64, Section 40, Clean Water Funding Legislative Report
Timeline for developing legislative report
Clean Water Fund summary
Revenue Criteria Exercise from June 1, 2016 Stakeholder Meeting
Clean Water Surcharge Matrix
Clean Water Revenue Sources Matrix (Extras on 11x17 paper)

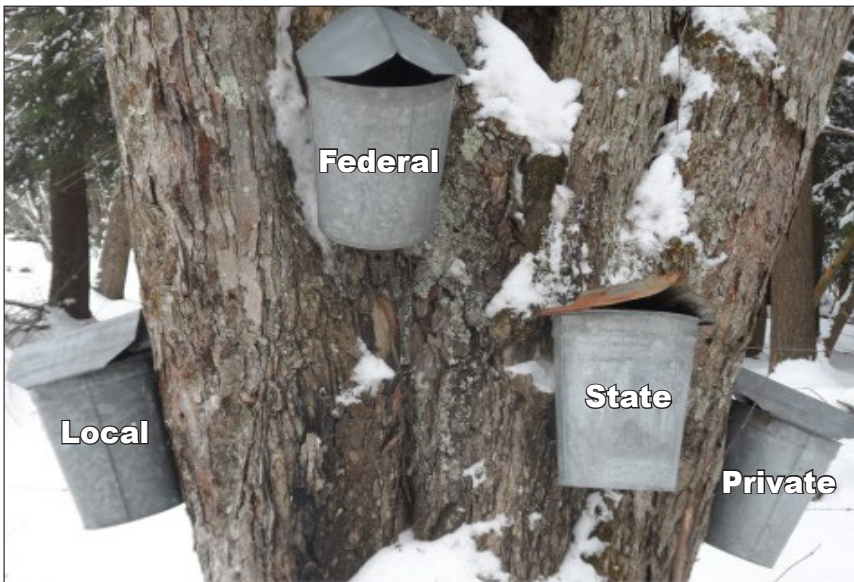
Electronic Resources

- * Dropbox for the 2016 spring stakeholder meeting materials:
<https://www.dropbox.com/sh/jpq82wvzfepw2gk/AAAuSFO47aMhFHAfHhZaOTIIda?dl=0>
- * Act 64 (2015) Clean Water Act
<http://legislature.vermont.gov/assets/Documents/2016/Docs/ACTS/ACT064/ACT064%20As%20Enacted.pdf>
- * Act 97 (2014) Legislative Report: The Vermont Clean Water Initiative Report, Prepared for the General Assembly in Accordance with Act 97, as modified by No. 172 of the Acts and Resolves of 2013
<http://dec.vermont.gov/sites/dec/files/wsm/erp/docs/Act-97-Report-What-Is-The-Clean-Water-Initiative-Jan-2015.pdf>
- * Act 138 (2013) Legislative Report: Water Quality Remediation, Implementation and Funding Report, Prepared for the Vermont General Assembly in Accordance with Act 138
<http://dec.vermont.gov/sites/dec/files/wsm/erp/docs/Act-138-Report-Water-Quality-Funding-Report-Jan-2013.pdf>

Invest in Clean Water, Invest in our Economy

Meeting the new federal pollution control limits for Lake Champlain, and restoration efforts elsewhere across the State, require **major new investments from a broad spectrum of stakeholders** including municipalities, farmers, businesses and other property owners to control water pollution.

The **Vermont Clean Water Fund**, established with three years of seed funding (from a surcharge on the Property Transfer Tax), helps stakeholders take action to restore clean water.



Federal, state, local and private dollars support actions to restore clean water. The Clean Water Fund helps the state provide for a greater share in those costs.

Did you know?

Tourism spending in the Champlain Valley totals 2.3 - 2.9 billion annually

Did you know?

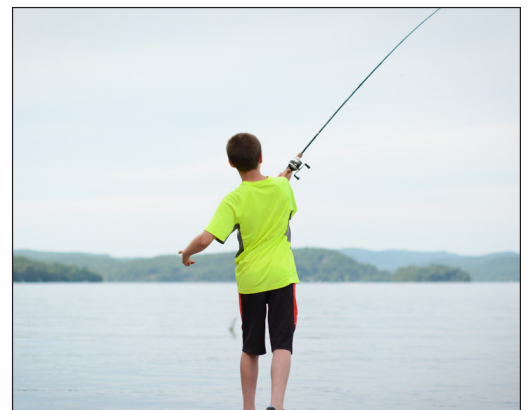
Property values in towns along Lake Champlain total nearly 2 billion

Learn more at www.cleanwater.vermont.gov
anr.cleanwatervt@vermont.gov • (802) 828-1556

Investing in Clean Water Legislative Report Timeline



The Office of the State Treasurer, in consultation with state government agencies, is preparing a legislative report that **recommends revenue sources to provide the Clean Water Fund with adequate and sustainable funding. We need your input on this report.**



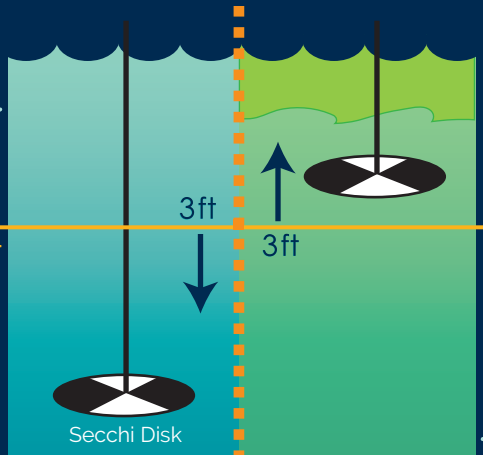
THE ECONOMIC IMPACT OF CLEAN WATER

Water quality in Lake Champlain is a key economic driver, supporting tourism, property values and employment. A decrease in lake water quality could result in long-lasting negative impacts to the regional economy.

Secchi disk depth measures the clarity of water, which is an indicator of how clean the water is.



+\$15,200*
increase in home values if water quality standards are met



water quality improves

water quality decreases

Home Values*



Lost Tourism*

-\$16.8 MILLION
July/August

Lost Jobs*



New water quality standards require a reduction in total phosphorus **34%**
which would mean a **5 foot** increase in secchi disk depth

A 2015 reduction in lakefront property values cost the Town of Georgia Grand List

\$1.8 MILLION

* Projected Impacts with a 3 ft (1 m) decrease in water clarity

Data based on **An Assessment of the Economic Value of Clean Water in Lake Champlain**



READ THE FULL REPORT HERE:
WWW.LCBP.ORG

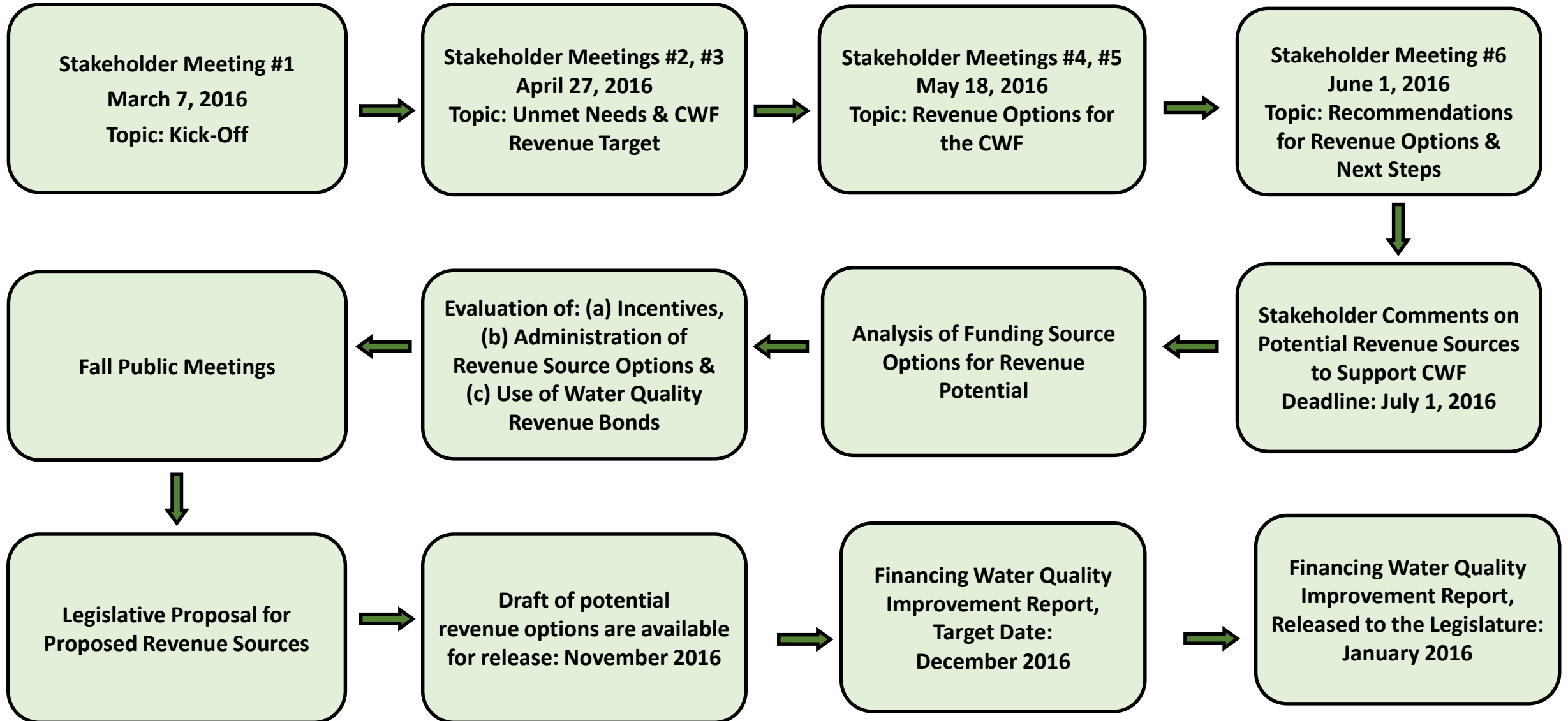
Lake Champlain generates **\$300 MILLION** in VT tourism every year

2015 Act 64, Sec. 40. STATE TREASURER REPORT ON LONG-TERM FINANCING OF STATEWIDE WATER QUALITY IMPROVEMENT

On or before January 15, 2017, the State Treasurer, after consultation with the Secretary of Administration, the Commissioner of Environmental Conservation, and the Commissioner of Taxes, shall submit to the Senate and House Committees on Appropriations, the House Committee on Fish, Wildlife and Water Resources, the Senate Committee on Natural Resources and Energy, the House Committee on Agriculture and Forest Products, the Senate Committee on Agriculture, the House Committee on Ways and Means, and the Senate Committee on Finance a recommendation for financing water quality improvement programs in the State. The recommendation shall include:

- (1) Proposed revenue sources for water quality improvement programs that will replace the Property Transfer Tax surcharge established under 32 V.S.A. § 9602a. The proposed revenue sources shall be designed to assess fees, taxes, or other revenue sources from a property, parcel use, parcel, type, or an activity in proportion to the negative impacts of property, parcel use, parcel type, or activity on the water quality in the State.
- (2) A recommendation for rewarding or incentivizing best management practices for a property or activity that is subject to the proposed fee, tax, or revenue source.
- (3) An estimate of the amount of revenue to be generated from each proposed revenue source.
- (4) A summary of how assessment of the proposed revenue source will be administered, collected, and enforced.
- (5) A recommendation of whether the State should bond for the purposes of financing water quality improvement programs, including whether a proposed revenue source would be sufficient for issuance of water quality revenue bonds.
- (6) A legislative proposal to implement each of the revenue sources proposed under this section.

DRAFT Process for Developing Legislative Report Financing Clean Water Improvement Using the State Clean Water Fund (CWF)



Clean Water Surcharge

The Clean Water Surcharge is applied to certain property transfers and is presently the sole revenue source for the Clean Water Fund. It generated \$4.65 million in fiscal year 2016, and it is projected to generate \$4.9 million in 2017. This .2% surcharge was created as part of legislative Act 64 of 2015, and it is set for repeal on July 1, 2018. To understand how the surcharge is applied, please see the table below.

When to Apply the Property Transfer Tax and the Clean Water Surcharge				
Type of Property	Value Taxed	0.5% Property Transfer Tax	1.25% Property Transfer Tax	0.2% Clean Water Surcharge
Not Principal Residence	All		✓	✓
Principal Residence	\$0-\$100,000	✓		
	Marginal Value > \$100,000		✓	✓
Principal Residence purchased w/ VHFA, VCTF, or USDA Assistance	\$0-\$110,000			
	\$110,000 - \$200,000		✓	
	Marginal Value > \$200,000		✓	✓

Preliminary DRAFT - Revenue Sources and Proposed Evaluation Criteria for a Vermont Clean Water Fund											
Revenue Evaluation Criteria	Revenue Potential	Predictability	Sufficiency	Economic Impact	Nexus to Water Quality	Promotes Mitigation	Administration & Compliance	Accountability	Geographic Distribution	Income Equity	
Description of Criteria	Revenue Amount	Stable & predictable, or unstable & unpredictable	Supports spending with or without other sources, or is insufficient to support spending	Targeted entities, potential consequences, & leverage on outside dollars (i.e. fed match)	Direct relationship to water quality, indirect relationship, or no relationship	Encourages positive behavior, or does not encourage positive behavior	Simple and/or pre-existing structure compared to complex and/or requires a new structure	Transparent to payer, or semi-transparent, or is opaque	Degree to which tax/fee applied uniformly across state	Degree to which tax/fee based on ability to pay	
Major Categories	Financial			Water Quality		Administration		Distribution			
Revenue Options Presented at First Stakeholder Meeting											
1	Excise Tax on Bottled Water Containers	Revenues are in the process of being modeled and estimated.									
2	Excise Tax on Flushable Consumer Products										
3	Surtax on Meals and Rooms and Alcoholic Beverages										
4	Surtax on Rental Cars										
5	Escheating Unclaimed Beverage Container Deposits										
6	Surtax on Sales & Use Tax										
7	Impervious Surface Fee (Parcel Fee)										
8	Sewer, Septic, Water Surcharge										
9	Excise Tax on Fertilizers & Pesticides										
10	Special License Plate Fee										
11	Mitigation or Impact Fees										
12	Lottery Game										
13	Surcharge on Property Transfers										
Newly Proposed Revenue Sources - Spring Stakeholder Meetings											
General Revenue											
14	Income Tax										
15	Line Item on Income Tax Form + Corporate matches										
16	Reappropriations of current expenditures										
17	Raising permit fees										
18	Property tax										
19	Increased recreations fees (state parks)										
20	Tour bus per-passenger fee										
21	Dollar surcharge on hotel rooms										
22	Toll on Champlain bridge and other gateways to VT										
Agriculture Nexus											
23	Fines for non-compliance										
24	Unroll from current use ag land within x distance of waterways and apply estimated tax dollars to improvements										
25	Licensing fee for technical service providers (i.e. manure applicator fee)										
26	Manure per ton fee for all animals (even pets)										
Developed Lands/Roads/Stormwater Nexus											
27	Vehicle Registration fee										
28	Other motorized fees (boats, certain farm equipment, etc.)										
29	Gas tax										
30	Stormwater permit fees										
31	Lake-related purchase fees (dock fees, lakeshore frontage fee, etc.)										
32	Land Gains Surtax										
33	Energy consumption tax										
Natural Resources Nexus											
34	Taxes on water-reliant recreation equipment (winter skiing, boats, etc.)										
Wastewater Nexus											
35	Sewer Surcharges										
36	Septage Pumping Fees										
37	Other septic related fees										
38	Pharmaceutical Tax										
39	Personal Care Product Tax										
40	Nutritional Supplement Tax	Included flushable products above									

Please send comments to TAX.Commissioner@vermont.gov

CLEAN WATER FUND REVENUE CRITERIA EXERCISE

Clean Water Long-Term Financing Report Purpose: The Vermont Clean Water Act (Act 64) “requires the State Treasurer to recommend a long-term revenue source to fund water quality improvements.”

Action: The State plans to use the below criteria to evaluate revenue sources for water quality improvements. Stakeholders have an opportunity to rank the criteria in the table below by allocating no more than 100 total points to the line items you value most. Please send your rankings to tax.commissioner@vermont.gov by July 1, 2016.

Criteria	Explanation	Degree of Assessment	Points
Revenue Potential	The revenue source’s potential to support the Clean Water Fund or debt service on a bond for clean water improvements.	Revenue Amount	
Predictability	Revenues are relatively constant over time and not subject to unpredictable fluctuations	a) Stable & predictable, b) Unstable & unpredictable	
Sufficiency	The revenue source provides the dollars necessary to finance the desired rate of spending.	a) Supports spending with/without other sources, (b) Insufficient to support spending	
Economic Impact	The entities that a revenue source targets, the potential economic consequences of that revenue source, and a revenue source’s leverage on outside dollars such as federal match.	a) Who does the source target? b) What are the potential consequences? c) Attracts or inhibits outside dollars?	
Nexus to Water Quality	The degree to which the tax or fee bears a relationship to water quality	a) Direct relationship to water quality, b) Indirect relationship, c) No relationship	
Promotes Mitigation	The degree to which a tax or fee encourages individuals and businesses to perform on-site mitigation to improve water quality	a) Encourages positive behavior, b) Does not encourage positive behavior	
Administration & Compliance	The degree to which revenues can be collected effectively, the provision can be enforced, and payers can easily comply.	a) Simple or pre-existing structure, b) Complex or new structure	
Accountability	The degree to which the amount of the tax or fee is explicit and known to those who pay.	a) Transparent to payer b) Semi-transparent to payer c) Not transparent to payer	
Geographic Distribution	The degree to which the tax or fee applies uniformly across the entire state.	a) Source is applied across state b) Source is applied to particular geographic regions	
Income Equity	The degree to which the tax or fee is based on ability to pay	a) Source is based on a progressive income/wealth structure b) Source is not based on income/wealth	
Other Criteria or Considerations	<i>Please provide suggestions if desired.</i>		