

Vermont Clean Water Board

Meeting Agenda

Date/Time: Monday, June 25, 2018, 3:00 pm – 4:00 pm
Location: National Life Main Building – 1 National Life Drive, The Winooski Room (M240)

I. OVERVIEW **3:00-3:15 pm**

A. Introductions

Agency of Administration Secretary and Clean Water Board Chair Susanne Young

- Welcome; Review Agenda and Minutes of April 12, 2018
- Recommendation: Consider a motion to approve the minutes

B. Overview of Updated Board Responsibilities, per Act 168 (S. 260)

Agency of Natural Resources Secretary Julie Moore

II. UPDATES **3:15-3:20 pm**

A. Clean Water Fund Property Transfer Tax Surcharge Revenue Update

Vermont Department of Taxes Research Economist Andrew Stein

B. Review of Updated SFY 2019 Clean Water Fund Budget

Clean Water Initiative Program Manager Kari Dolan

III. PUBLIC COMMENT PROCESS FOR STATE FISCAL YEAR 2020 **3:20-3:45 pm**

A. SFY 2020 Budget Process and Public Comment Period

Agency of Natural Resources Secretary Julie Moore

- Discuss SFY 2020 Clean Water Fund budget process
- Discuss draft questionnaire for the July 30-day public comment period
- Recommendation: Consider a motion to approve and post questionnaire for public comment

IV. OPERATIONS **3:45-3:50 pm**

A. Final Draft Clean Water Fund Expenditure Contingency Plan

Clean Water Initiative Program Manager Kari Dolan

- Review proposed updates to the 2016 Interim Clean Water Fund Expenditure Contingency Plan
- Recommendation: Consider a motion to approve the 2018 Clean Water Fund Expenditure Contingency Plan

V. PUBLIC COMMENTS **3:50-3:55 pm**

Agency of Administration Secretary and Clean Water Board Chair Susanne Young

VI. NEXT MEETING, ADJOURN **3:55-4:00 pm**

Agency of Administration Secretary and Clean Water Board Chair Susanne Young

- Agenda recommendations from Board members
- Discuss New Member Orientation

Supporting Materials:

1. Draft April 12, 2018 Clean Water Fund Board Meeting Minutes
2. Vermont Statutes Annotated, as Amended by 2018 Act 168 (S. 260) and 2018 Act 208 (S. 285)
3. FY2018 Clean Water Fund Revenue Summary and Forecast
4. Updated SFY 2019 Clean Water Fund Budget
5. Draft SFY 2020 Clean Water Fund Budget Process
6. Draft SFY 2020 Clean Water Fund Public Comment Questionnaire
7. Draft Clean Water Fund Expenditure Contingency Plan

Vermont Clean Water Fund Board Working Meeting Minutes

Date/Time: Thursday, April 12, 2018, 3:30 pm – 4:30 pm

Location: National Life Davis Building – 1 National Life Drive, The Catamount Room (N215)

Clean Water Fund Board Members/Designees:

Susanne Young, Agency of Administration (AoA) Secretary and Clean Water Fund Board Chair

Joe Flynn, Agency of Transportation (VTrans) Secretary

Julie Moore, Agency of Natural Resources (ANR) Secretary

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

Attendees:

Jason Aronowitz, AoA

Emily Bird, Department of Environmental Conservation (DEC)

Eric Blatt, DEC

Diane Bothfeld, AAFM

Kari Dolan, DEC

Dan Dutcher, VTrans

Marcey Hodgdon, AAFM

Jen Hollar, Vermont Housing and Conservation Board (VHCB)

Joanna Pallito, DEC

Kate Slocum, AoA

Welcome, Approval of Agenda and Minutes

3:30-3:35 pm

Agency of Administration Secretary and Clean Water Fund Board Chair Susanne Young

- Joe Flynn motioned for approval of previous Board meeting minutes
- Julie Moore seconded the motion
- No objections
- Minutes approved

SFY 2018

Clean Water Fund Property Transfer Tax Surcharge Revenue Update

3:35-3:45 pm

Kate Slocum, Deputy Chief Financial Officer, Agency of Administration

- Property transfer tax surcharge revenue is 9% above forecast as of April 3, 2018
- Revenue is on track for budget targets

Status of Unallocated SFY 2018 Clean Water Fund Allocations

3:45-4:50 pm

Clean Water Initiative Program Manager Kari Dolan

- Supporting materials include summary of unallocated SFY 2018 funds
- “Unallocated” describes dollars not encumbered in a purchase order specific to a project or obligated toward an award, in recognition that every agency has a practice for how they allocate funds to projects
- Unencumbered DEC funds for the Agronomy and Conservation Assistance Program (ACAP) will support work in the Lake Carmi watershed, however, the request for proposals was put on

hold until the end of the legislative session to clarify scope of work needed based on updates to required agricultural practices and “Lake-in-Crisis” statute

- Requested Board’s approval to encumber funds in SFY 2019 to fulfill original purpose
- Julie Moore motioned to carry forward unallocated SFY 2018 dollars into SFY 2019
- Joe Flynn seconded the motion
- No objections
- Motion approved

SFY 2019

Review State Clean Water Fund Budget Process

3:50-3:55 pm

Agency of Natural Resources Secretary Julie Moore

- See supporting materials
- Board will review final SFY 2019 CWF allocations during June meeting based on approved state budget

Draft 2018 Clean Water Fund Expenditure Contingency Plan

4:55-4:15 pm

Clean Water Initiative Program Manager Kari Dolan

- Review 2016 Interim Clean Water Fund Expenditure Contingency Plan
- Review 2018 Initial Draft Update to this Interim Plan
 - Original contingency plan was designed when the CWF had a SFY 2018 sunset
 - The purpose of the contingency is to avoid allocating money that may not be available at the close of SFY if revenue underperforms; the purpose of the contingency plan is not to cover unanticipated expenses
 - CWF Board deliberately underspent SFY 2017 funds by \$500,000 to ensure funds not allocated if revenue underperforms
 - Property transfer tax surcharge revenue source has since been extended to SFY 2027; therefore, it makes sense to move contingency plan from interim to final status
 - Assumed 10% of revenue would be adequate for purpose of contingency plan; based on AoA Finance and Management recommendation
 - The Board requested a recommendation from AoA or the Office of the State Treasurer on an appropriate percentage of the CWF to be set aside as a reserve based on past and anticipated performance of the revenue source
 - Note that the first \$1 million in revenue is directed to affordable housing, so any revenue shortfall will be borne by the CWF; recommendation made to evaluate the need to increase contingency reserve to \$1 million with SFY 2019 reserve or through small additions over multiple years
 - SFY 2018 allocations already provide for a \$500,000 contingency reserve; if the total reserve amount remains constant, future funds will not need to be set aside assuming the reserve does not need to be used in future years; additionally, SFY 2019 \$500,000 reserve funds can be allocated to programs as part of the SFY 2020 public budget process
 - In the event the CWF overperforms, surplus funds are allocated through the next SFY public budget process, as described in the draft contingency plan
 - Board requested an updated contingency plan based on AoA or Office of the State Treasurer input to review and approve during the June Board meeting

SFY 2020

Upcoming SFY 2020 Clean Water Fund Budget Process

4:15-4:20 pm

Secretary Julie Moore

- Public process to draft SFY 2020 budget will begin in June 2018 (see meeting materials)
- SFY 2020 public comment via online questionnaire will focus on proposed allocations, using a \$4 million CWF target and \$15.25 million capital fund target
- Interagency Clean Water Initiative Finance and Reporting Subcommittee will develop a staff draft CWF budget recommendation for the Board's consideration during its June meeting
- Report of the Working Group on Water Quality Funding (2017 Act 73, Section 26) provides estimated costs to comply with total maximum daily loads (TMDLs), and will be used as the basis of the CWF budget recommendation
- AAFM has used CWF dollars to support operational costs, which support small farm operations certification and inspection programs; operating costs are increasing (estimated SFY 2020 need is \$450,000), yet no new fees are available to cover costs; AAFM will propose options to contribute to clean water projects from other funding sources, since CWF dollars will likely need to continue to cover AAFM operational costs
- Noted that every sector has expectations of pollutant reductions and demand for funds; the Board must determine how to target those dollars; SFY 2020 will likely have less capital funds available compared to SFY 2018-2019
- Noted that historically VHCB conservation dollars were not included in the clean water section of the capital bill; could discuss if gives board more flexibility

Comments from the Public

4:20-4:25 pm

Secretary Susanne Young

Next Steps/Future Meeting

4:25-4:30 pm

Secretary Susanne Young

- Recommendation from Department of Taxes on appropriate CWF contingency reserve amount
- Working meeting in late June (to be scheduled) after interagency drafts budget allocation

Adjourn

4:30 pm

- Susanne Young motioned to adjourn
- Joe Flynn seconded the motion
- Meeting adjourned at 4:23 pm

Supporting Materials:

1. 2017-11-06 Clean Water Fund Board Meeting Minutes - Draft
2. SFY 2019 Clean Water Fund Budget Process
3. SFY 2018 Clean Water Fund Revenue Summary and Forecast
4. SFY 2018 Unallocated Clean Water Funds Report
5. 2016 Interim Clean Water Fund Expenditure Contingency Plan
6. 2018 Initial Draft Update of the Interim Contingency Plan
7. SFY 2020 Clean Water Fund Budget Process

Title 10: Conservation and Development

Chapter 47: Water Pollution Control

Subchapter 7: Vermont Clean Water Fund

§ 1387. Purpose

The General Assembly establishes in this subchapter a Vermont Clean Water Fund as a mechanism for financing the improvement of water quality in the State. The Clean Water Fund shall be used to:

(1) assist the State in complying with water quality requirements and construction or implementation of water quality projects or programs;

(2) fund staff positions at the Agency of Natural Resources, Agency of Agriculture, Food and Markets, or Agency of Transportation when the positions are necessary to achieve or maintain compliance with water quality requirements and existing revenue sources are inadequate to fund the necessary positions; and

(3) provide funding to nonprofit organizations, regional associations, and other entities for implementation and administration of community-based water quality programs or projects. (Added 2015, No. 64, § 37, eff. June 16, 2015.)

§ 1388. Clean Water Fund

(a) There is created a special fund to be known as the "Clean Water Fund" to be administered by the Secretary of Administration. The Fund shall consist of:

(1) ~~revenues dedicated for deposit into the Fund by the General Assembly, including from the Property Transfer Tax surcharge established under 32 V.S.A. § 9602a; and~~

(2) other gifts, donations, and impact fees received from any source, public or private, dedicated for deposit into the Fund and approved by the Secretary of Administration;

(3) the unclaimed beverage container deposits (escheats) remitted to the State under chapter 53 of this title; and

(4) other revenues dedicated for deposit into the Fund by the General Assembly.

(b) Notwithstanding any contrary provisions of 32 V.S.A. chapter 7, subchapter 5, unexpended balances and any earnings shall remain in the Fund from year to year. (Added 2015, No. 64, § 37, eff. June 16, 2015.)

§ 1389. Clean Water ~~Fund~~ Board

(a) Creation.

(1) There is created the Clean Water ~~Fund~~ Board ~~which~~ that shall:

(A) be responsible and accountable for planning, coordinating, and financing of the remediation, improvement, and protection of the quality of State waters;

(B) recommend to the Secretary of Administration expenditures:

(i) appropriations from the Clean Water Fund; and

(ii) clean water projects to be funded by capital appropriations.

(2) The Clean Water ~~Fund~~ Board shall be attached to the Agency of Administration for administrative purposes.

(b) Organization of the Board. The Clean Water ~~Fund~~ Board shall be composed of:

(1) the Secretary of Administration or designee;

(2) the Secretary of Natural Resources or designee;

(3) the Secretary of Agriculture, Food and Markets or designee;

(4) the Secretary of Commerce and Community Development or designee; and

(5) the Secretary of Transportation or designee; and

(6) four members of the public, who are not legislators, with expertise in one or more of the following subject matters: public management, civil engineering, agriculture, ecology, wetlands, stormwater system management, forestry, transportation, law, banking, finance, and investment, to be appointed by the Governor.

(c) Officers; committees; rules; compensation; term.

(1) The Clean Water ~~Fund~~ Board shall ~~annually elect a chair from its members~~ Secretary of Administration shall serve as the Chair fo the Board. The Clean Water ~~Fund~~ Board may elect additional officers from its members, establish committees or subcommittees, and adopt procedural rules as necessary and appropriate to perform its work.

(2) Members of the Board who are not employees of the State of Vermont and who are not otherwise compensated or reimbursed for their attendance shall be entitled to per diem compensation and reimbursement of expenses pursuant to 32 V.S.A. § 1010 paid from the budget of the Agency of Administration for attendance of meetings of the Board.

(3) Members who are appointed to the Clean Water Board shall be appointed for terms of four years, except initial appointments shall be made such that two members appointed by the Governor shall be appointed for a term of two years. Vacancies on the Board shall be filled for the remaining period of the term in the same manner as initial appointments.

(d) Powers and duties of the Clean Water ~~Fund~~ Board. The Clean Water ~~Fund~~ Board shall have the following powers and authority:

(1) The Clean Water ~~Fund~~ Board shall recommend to the Secretary of Administration the appropriate allocation of funds from the Clean Water Fund for the purposes of developing the State budget required to be submitted to the General Assembly under 32 V.S.A. § 306. All recommendations from the Board should be intended to achieve the greatest water quality gain for the investment. The recommendations of the Clean Water Board shall be open to inspection and copying under the Public Records Act, and the Clean Water Board shall submit to the Senate Committees on Appropriations, on Finance, on Agriculture, and on Natural Resources and Energy and the House Committees on Appropriations, on Ways and Means, on Agriculture and Forestry, and on Natural Resources, Fish, and Wildlife a copy of any recommendations provided to the Governor.

(2) The Clean Water ~~Fund~~ Board may pursue and accept grants, gifts, donations, or other funding from any public or private source and may administer such grants, gifts, donations, or funding consistent with the terms of the grant, gift, or donation.

(3) The Clean Water ~~Fund~~ Board shall:

(A) establish a process by which watershed organizations, State agencies, and other interested parties may propose water quality projects or programs for financing from the Clean Water Fund;

(B) develop an annual revenue estimate and proposed budget for the Clean Water Fund;

(C) establish measures for determining progress and effectiveness of expenditures for clean water restoration efforts;

(D) issue the annual Clean Water Investment Report required under section 1389a of this title; ~~and~~

(E) solicit, consult with, and accept public comment from organizations interested in improving water quality in Vermont regarding recommendations under this subsection for the allocation of funds from the Clean Water Fund; and

(F) establish a process under which a watershed organization, State agency, or other interested party may propose that a water quality project or program identified in a watershed basin plan receive funding from the Clean Water Fund.

(e) Priorities.

(1) In making recommendations under subsection (d) of this section regarding the appropriate allocation of funds from the Clean Water Fund, the Board shall prioritize:

(A) funding to programs and projects that address sources of water pollution in waters listed as impaired on the list of waters established by 33 U.S.C. § 1313(d);

(B) funding to projects that address sources of water pollution identified as a significant contributor of water quality pollution, including financial assistance to grant recipients at the initiation of a funded project;

(C) funding to programs or projects that address or repair riparian conditions that increase the risk of flooding or pose a threat to life or property;

(D) assistance required for State and municipal compliance with stormwater requirements for highways and roads;

(E) funding for education and outreach regarding the implementation of water quality requirements, including funding for education, outreach, demonstration, and access to tools for the implementation of the Acceptable Management Practices for Maintaining Water Quality on Logging Jobs in Vermont, as adopted by the Commissioner of Forests, Parks and Recreation;

(F) funding for innovative or alternative technologies or practices designed to improve water quality or reduce sources of pollution to surface waters, including funding for innovative nutrient removal technologies and community-based methane digesters that utilize manure, wastewater, and food residuals to produce energy;

(G) funding to purchase agricultural land in order to take that land out of practice when the State water quality requirements cannot be remediated through agricultural Best Management Practices; ~~and~~

(H) funding to municipalities for the establishment and operation of stormwater utilities; and

(I) investment in watershed basin planning, water quality project identification screening, water quality project evaluation, and conceptual plan development of water quality projects.

(2) In developing its recommendations under subsection (d) of this section regarding the appropriate allocation of funds from the Clean Water Fund, the Clean Water Fund Board shall, during the first three years of its existence and within the priorities established under subdivision (1) of this subsection (e), prioritize awards or assistance to municipalities for municipal compliance with water quality requirements, and to municipalities for the establishment and operation of stormwater utilities.

(3) In developing its recommendations under subsection (d) of this section regarding the appropriate allocation of funds from the Clean Water Fund, the Board shall, after satisfaction of the priorities established under subdivision (1) of this subsection (e), attempt to provide ~~for equitable apportionment of awards from the Fund to all regions of the State and for control of~~

all sources of point and non-point sources of pollution in the State investment in all watersheds of the State based on the needs identified in watershed basin plans.

(f) Assistance. The Clean Water Fund Board shall have the administrative, technical, and legal assistance of the Agency of Administration, the Agency of Natural Resources, the Agency of Agriculture, Food and Markets, the Agency of Transportation, and the Agency of Commerce and Community Development for those issues or services within the jurisdiction of the respective agency. The cost of the services provided by agency staff shall be paid from the budget of the agency providing the staff services. (Added 2015, No. 64, § 37, eff. June 16, 2015; amended 2015, No. 158 (Adj. Sess.), § 33, eff. June 2, 2016; 2017, No. 74, § 16a.)

§ 1389a. Clean water investment report

(a) Beginning on January 15, 2017, and annually thereafter, the Secretary of Administration shall publish the Clean Water Investment Report. The Report shall summarize all investments, including their cost-effectiveness, made by the Clean Water Fund Board and other State agencies for clean water restoration over the prior ~~calendar~~ fiscal year. The Report shall include expenditures from the Clean Water Fund, the General Fund, the Transportation Fund, and any other State expenditures for clean water restoration, regardless of funding source.

(b) The Report shall include:

(1) Documentation of progress or shortcomings in meeting established indicators for clean water restoration.

(2) A summary of additional funding sources pursued by the Board, including whether those funding sources were attained; if it was not attained, why it was not attained; and where the money was allocated from the Fund.

(3) A summary of water quality problems or concerns in each watershed basin of the State, a list of water quality projects identified as necessary in each basin of the State, and how identified projects have been prioritized for implementation. The water quality problems and projects identified under this subdivision shall include programs or projects identified across State government and shall not be limited to projects listed by the Agency of Natural Resources in its watershed projects database.

(4) A summary of any changes to applicable federal law or policy related to the State's water quality improvement efforts, including any changes to requirements to implement total maximum daily load plans in the State.

(5) A summary of available federal funding related to or for water quality improvement efforts in the State.

(c) The Report may also provide an overview of additional funding necessary to meet objectives established for clean water restoration and recommendations for additional revenue to meet those restoration objectives. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the report required by this section.

(d)(1) The Secretary of Administration shall develop and use a results-based accountability process in publishing the annual report required by subsection (a) of this section.

(2) The Secretary of Administration shall develop user-friendly issue briefs, tables, or executive summaries that make the information required under subdivision (b)(3) available to the public separately from the report required by this section.

(3) On or before September 1 of each year, the Secretary of Administration shall submit to the Joint Fiscal Committee an interim report regarding the information required under subdivision (b)(5) of this section relating to available federal funding. (Added 2015, No. 64, § 37, eff. June 16, 2015; amended 2017, No. 85, § E.700.1.)

§ 1389b. Clean Water Fund audit

(a) On or before January 15, 2021, the Secretary of Administration shall submit to the House and Senate Committees on Appropriations, the Senate Committee on Finance, the House Committee on Ways and Means, the Senate Committee on Agriculture, the House Committee on Agriculture and Forest Products, the Senate Committee on Natural Resources and Energy, and the House Committee on Natural Resources, Fish and Wildlife a program audit of the Clean Water Fund. The audit shall include:

(1) a summary of the expenditures from the Clean Water Fund, including the water quality projects and programs that received funding;

(2) an analysis and summary of the efficacy of the water quality projects and programs funded from the Clean Water Fund or implemented by the State;

(3) an evaluation of whether water quality projects and programs funded or implemented by the State are achieving the intended water quality benefits;

(4) an assessment of the capacity of the Agency of Agriculture, Food and Markets to effectively administer and enforce agricultural water quality requirements on farms in the State; and

(5) a recommendation of whether the General Assembly should authorize the continuation of the Clean Water Fund and, if so, at what funding level.

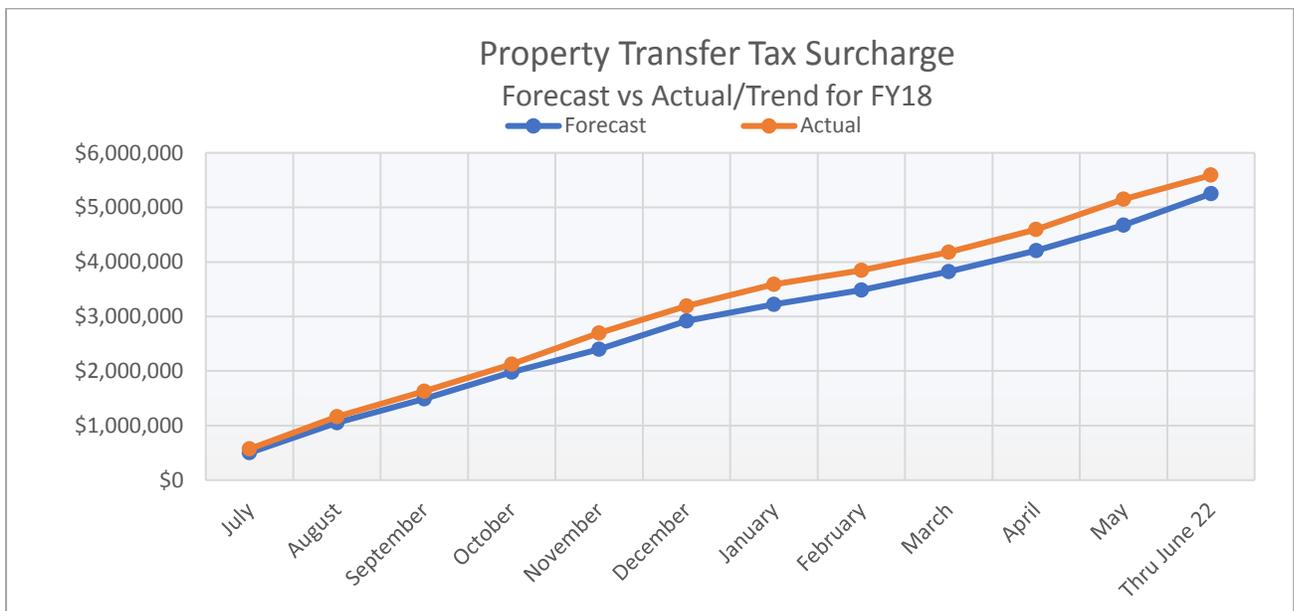
(b) The audit required by this section shall be conducted by a qualified, independent environmental consultant or organization with knowledge of the federal Clean Water Act, State water quality requirements and programs, the Lake Champlain Total Maximum Daily Load plan, and the program elements of the State clean water initiative.

(c) Notwithstanding provisions of section 1389 of this title to the contrary, the Secretary of Administration shall pay for the costs of the audit required under this section from the Clean Water Fund, established under section 1388 of this title. (Added 2015, No. 64, § 37, eff. June 16, 2015; amended 2015, No. 97 (Adj. Sess.), § 20.)

Clean Water Surcharge FY18 Actuals and Three-Year Preliminary Forecast

In FY18, the Property Transfer Tax Surcharge was tracking 10.2% above forecast through May. With five business days remaining in the month, the surcharge is \$340K above the annual forecast of \$5.25M, and it has generated \$4.59M for the Clean Water Fund (CWF). The Tax Department estimates that the Surcharge will generate roughly \$4.7M for the CWF in FY18. The first \$1M of surcharge revenue has been used for housing initiatives.

The below graph compares forecasted amounts for FY18 and actual revenues through June 22. Part of the overage in FY18 revenue is due to a one-time bump from an accounting change last fiscal year. The State also applies a prudent approach when forecasting this revenue source.



FY19 Forecast

A three-year forecast of the Property transfer Tax Surcharge is outlined in the table below.

| Three-Year Forecast for Property Transfer Tax Surcharge | | | |
|---|-------------|-------------|-------------|
| Fiscal Year | FY19 | FY20 | FY21 |
| Surcharge | \$5,500,000 | \$5,750,000 | \$5,850,000 |
| Clean Water Fund | \$4,500,000 | \$4,750,000 | \$4,850,000 |

The tax bases of the PTT and the surcharge are slightly different, as is outlined in the below matrix. A historical trend analysis of the surcharge and PTT shows that the surcharge grows at a lesser rate than does the PTT. At the slow end of that range in annual growth rates is the surcharge growing at a rate 1.75% less than the PTT.

| Property Transfer Tax & Surcharge Bases | | | | |
|---|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Type of Property | Value Taxed | 0.5% Property Transfer Tax | 1.25% Property Transfer Tax | 0.2% Transfer Tax 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 | | ✓ | ✓ |

The three-year forecast is based on the forecasted amount for FY18 of \$5.25M. It is then grown by the surcharge growth rate, which is 1.75% less than the PTT growth rate established in the State revenue forecasts. Therefore, the Department began its three-year forecast with a conservative starting point and used a conservative growth rate to forecast.

| PTT & Surcharge Growth Rates | | | |
|------------------------------|-------|-------|-------|
| Growth Rates | FY19 | FY20 | FY21 |
| PTT Growth Rate | 7.2% | 5.9% | 3.8% |
| Surcharge Growth Rate | 5.45% | 4.15% | 2.05% |

Beverage Container Deposit Escheats – FY20

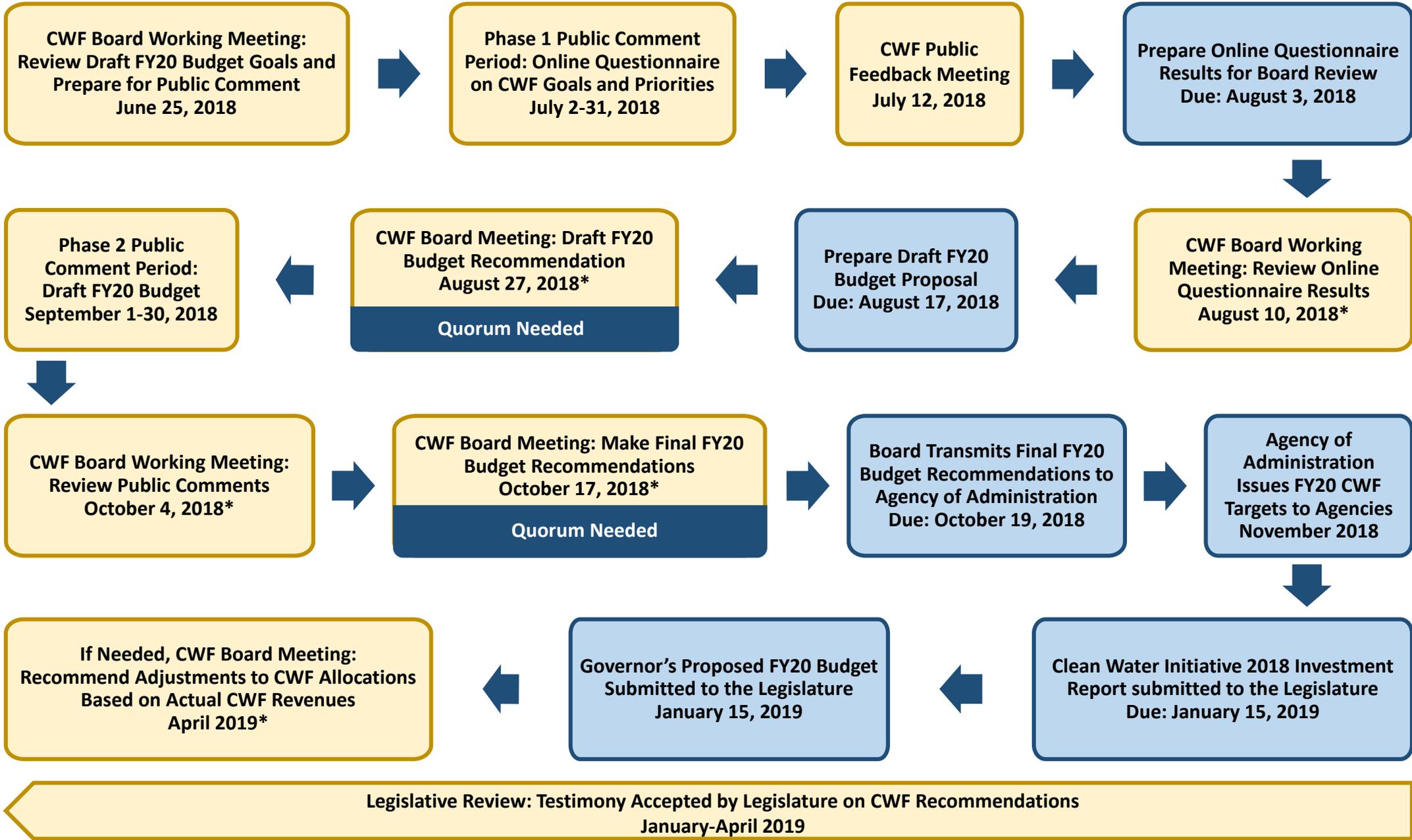
As part of [Act 208 of 2018](#), the Vermont Legislature added a new revenue source to the Clean Water Fund – abandoned beverage container deposits. This revenue source is estimated to generate \$1.5M-\$2M annually, and with more complete information and requirements could generate more. The revenue component of the law takes effect on or before January 1, 2020, and the Department of Taxes is scheduled to collect six months of revenue in FY20.

CLEAN WATER FUND BOARD
SFY 2019 BUDGET RECOMMENDATION (06/13/2018)

| Number | Sector | Agency | Activity | Clean Water Fund | 2018 Capital Bill Budget Adjustment FY19 | Total |
|--------|---------------------------------------|---------------------|---|------------------|--|-------------------|
| 1a | Agriculture | AAFMM | Farm capital improvements/USDA match, BA 8 (11)(e)(1) | 760,000 | 3,615,000 | 4,375,000 |
| 2a | Agriculture | AAFMM | Farm incentives/USDA match possible | 535,000 | | 535,000 |
| 2b | Agriculture | AAFMM | Increased on farm oversight & compliance | 375,000 | | 375,000 |
| 2c | Agriculture | AAFMM | Manure phosphorus extraction equipment, BA 8 (11)(e)(2) | | 1,400,000 | 1,400,000 |
| 3 | All | ANR-DEC (CWIP) | Partner support | 630,000 | | 630,000 |
| 4 | All | ANR-DEC (CWIP) | Water quality monitoring, mapping and tracking to evaluate project effectiveness | 200,000 | | 200,000 |
| 5 | All | ANR-DEC (CWIP) | Investments in innovative technology | 200,000 | | 200,000 |
| 6a | Stormwater, Natural Resources | ANR-DEC (CWIP) | Standard Ecosystem Restoration Grant Rounds (minus 8c, 9 & 10b), BA 8 (11)(f)(2)(A) | | 2,210,000 | 2,210,000 |
| 6b | | ANR-DEC (CWIP) | Multi-Sector Clean Water Block Grants, BA 8 (11)(f)(2)(C') | | 2,000,000 | 2,000,000 |
| 6c | Stormwater | ANR-DEC (CWIP) | Municipal stormwater project planning and implementation | 300,000 | | 300,000 |
| 7 | Roads | ANR-DEC (CWIP) | Municipal Roads Grants-in-Aid, BA 8 (11)(B) | | 3,090,000 | 3,090,000 |
| 8a | Natural Resources | ANR-DEC (CWIP) | Natural resources restoration | 200,000 | | 200,000 |
| 8b | Natural Resources | ANR-DEC (ERP) | Aeration system at Lake Carmi, BA 8 (11)(f)(2)(D) | | 200,000 | 200,000 |
| 8c | Natural Resources | ANR-DEC (ERP) | Aeration system at Lake Carmi-Supported by Ecosystem Restoration Grants (6a) | | 1,400,000 | 1,400,000 |
| 9 | Natural Resources | ANR-FPR | Skidder Bridges, H.495, Section 15-Supported by Ecosystem Restoration Grants (6a) | | 50,000 | 50,000 |
| 10a | Wastewater | ANR-DEC | WWTF optimization | 100,000 | | 100,000 |
| 10b | Wastewater | ANR-DEC (ERP) | Recovering phosphorus from municipal waste-Supported by Ecosys. Rest. Grants (6a) | | 100,000 | 100,000 |
| 11 | Wastewater | ANR-DEC (FED) | CWSRF | | 1,200,000 | 1,200,000 |
| 12 | Wastewater | ANR-DEC (FED) | Municipal Pollution Control Grants | | 4,040,000 | 4,040,000 |
| 13 | Roads | VTrans | Municipal Better Roads, BA 8 (11)(j)(2) | | 1,400,000 | 1,400,000 |
| 14 | Roads | VTrans | Municipal stormwater next to federal road project, BA 8 (11)(j)(1) | | 1,000,000 | 1,000,000 |
| 15 | Stormwater | AoA | Stormwater utility payments (\$25K each)(e)(1)(H) | 100,000 | | 100,000 |
| 16 | Stormwater | ACCD | Better Connections (SW planning) | 100,000 | | 100,000 |
| 17 | Stormwater | ACCD | Downtown Transportation Fund (SW BMPs), BA 8 (11)(m) | | 100,000 | 100,000 |
| 18a | Natural Resources, Agriculture | VHCB | Water Quality Projects or other conservation projects | | 2,750,000 | 2,750,000 |
| 18b | Natural Resources, Agriculture | VHCB | Water Quality farm improvement grants of fee purchase projects, BA 8 (11)(g)(B) | | 1,100,000 | 1,100,000 |
| 19a | All | Contingency Reserve | Contingency Reserve Set aside for Lake in Crisis Fund, (S. 260, Section 1314) | 50,000 | | 50,000 |
| 19b | All | Contingency Reserve | FY19 Contingency Reserve for reallocation as part of FY2020 Public Budget Process | 450,000 | | 450,000 |
| | | | Total | 4,000,000 | 25,655,000 | 29,655,000 |
| | KEY | | | | | |
| | BA = Budget Adjustment | | | | | |
| | USDA = U.S. Department of Agriculture | | | | | |

Clean Water Fund (CWF) State Fiscal Year (SFY) 2020 Budget Process (May 2018 – April 2019)

SFY 2020 – July 1, 2019 – June 30, 2020



 Clean Water Fund Budgetary Process

 Public & Legislative Process

Updated 6/7/2018

*Approximate dates provided



AGENCY OF ADMINISTRATION
 AGENCY OF AGRICULTURE, FOOD & MARKETS
 AGENCY OF COMMERCE & COMMUNITY DEVELOPMENT
 AGENCY OF NATURAL RESOURCES
 AGENCY OF TRANSPORTATION

Clean Water Fund State Fiscal Year 2020 Questionnaire

Land Use Priorities for Clean Water Funds

Below is a description of the land uses that impact clean water, how Clean Water Funds would be used, and the additional benefits of supporting clean water projects for that land use.

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

1. For each land use listed below, assign a percentage of the Clean Water Fund that would support clean water projects. Your percentages must add up to 100.

| | |
|-------------------|----------------------|
| Agriculture | <input type="text"/> |
| Developed Lands | <input type="text"/> |
| Natural Resources | <input type="text"/> |
| Roads | <input type="text"/> |
| Wastewater | <input type="text"/> |

2. Additional Comments



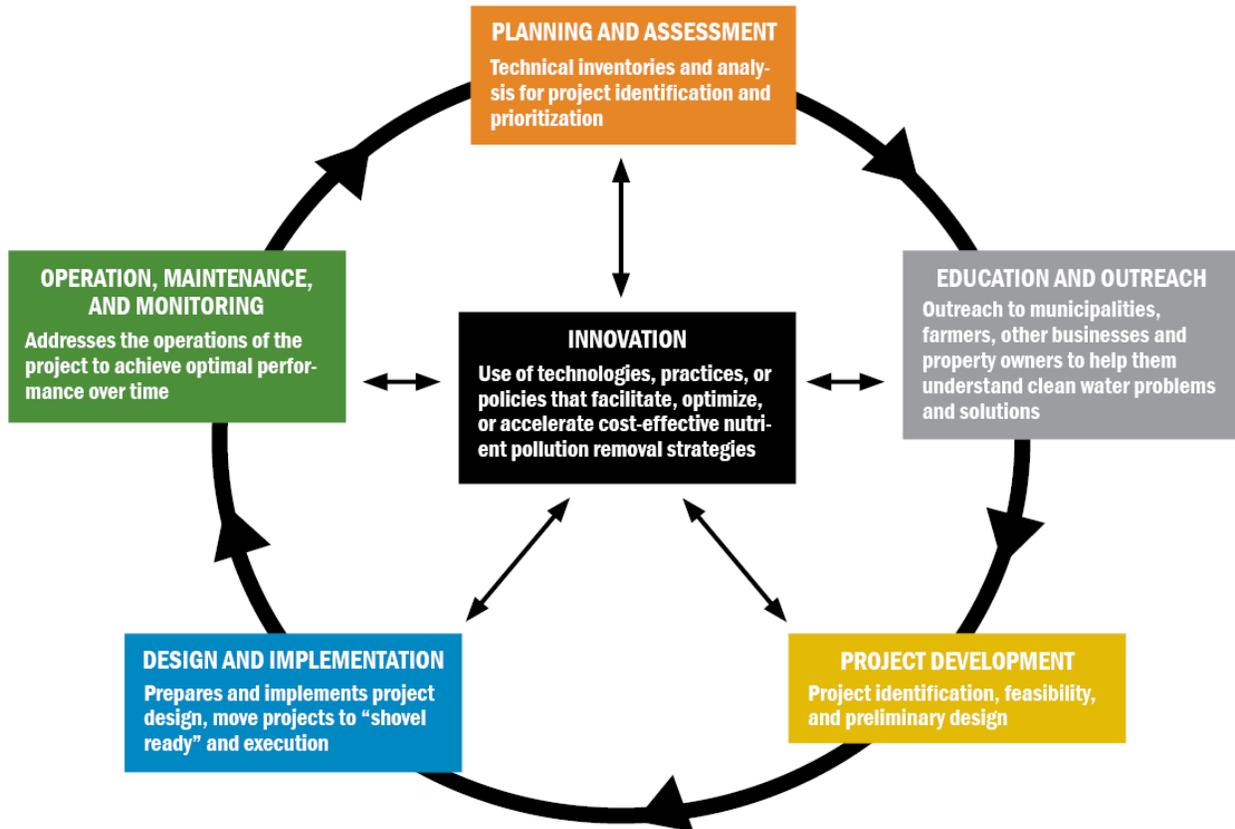
AGENCY OF ADMINISTRATION
AGENCY OF AGRICULTURE, FOOD & MARKETS
AGENCY OF COMMERCE & COMMUNITY DEVELOPMENT
AGENCY OF NATURAL RESOURCES
AGENCY OF TRANSPORTATION

Clean Water Fund State Fiscal Year 2020 Questionnaire

Project Activity Priorities for Clean Water Funds

Implementing cost-effective clean water improvement projects that address Vermont's most significant water pollution challenges requires funding support for the full project life cycle, depicted below.

CLEAN WATER PROJECT LIFE CYCLE



3. Assign a percentage of the Clean Water Fund that would support each project activity listed below. Your percentages must add up to 100.

Education and Outreach

Planning and Assessment

Project Development

Operation, Maintenance, and Monitoring

Innovation

4. Additional Comments

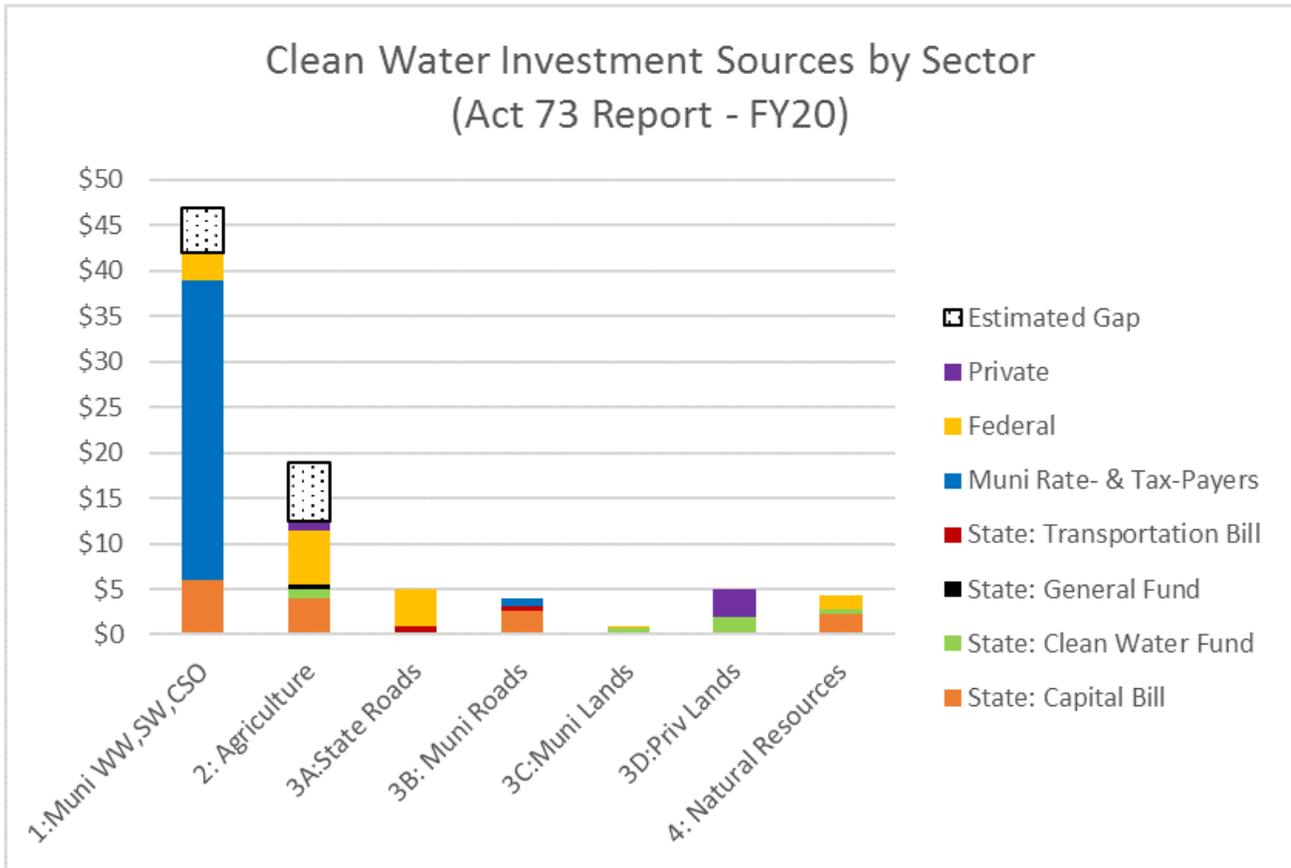


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Clean Water Fund State Fiscal Year 2020 Questionnaire

Priorities for New State or Federal Clean Water Funds

The chart below shows Vermont's use of state and federal funds by sector to restore the state's waterways, as described in a recent clean water funding report required by Act 73 (2017).



5. How should the State treat any new state or federal funds?

- The State should use any new funds to supplement where there are identified gaps of funding anticipated in State Fiscal Year 2020, such as in the agricultural sector and the wastewater treatment sector.
- The State should use any new funds to replace existing fund sources such as municipal funds, state capital funds, and private funds to address other needs.
- The State should use any new funds to support greater investment levels in all sectors.
- Other (please specify)



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 AGENCY OF TRANSPORTATION

Clean Water Fund State Fiscal Year 2020 Questionnaire

6. We are interested to know who is completing this survey. Which groups do you belong to or identify with? Select all that apply.

- | | |
|--|--|
| <input type="checkbox"/> Agricultural Producer/Farmer | <input type="checkbox"/> Natural Resources Conservation District |
| <input type="checkbox"/> Business Owner | <input type="checkbox"/> Recreational User |
| <input type="checkbox"/> Homeowner/Property Owner | <input type="checkbox"/> Regional Planning Commission |
| <input type="checkbox"/> State Legislator | <input type="checkbox"/> Watershed Group or Other Nongovernmental Organization |
| <input type="checkbox"/> Municipal Employee/Representative | <input type="checkbox"/> Forester/Forest Landowner |
| <input type="checkbox"/> Other (please specify) | |

7. Please enter your zip code to help us understand the statewide distribution of responses to this questionnaire.

ZIP/Postal Code

8. If you would like to be added to the Vermont Clean Water Initiative mailing list to be kept informed about the State's progress in safeguarding clean water, please provide your contact information below.

Name

Company

Address

Address 2

City/Town

State

ZIP/Postal Code

Email Address

Phone Number

9. How did you hear of this questionnaire (select all that apply)?

Media/News

Website

Email

Facebook

Blog

Word of mouth

Other (please specify)

Watershed Management Division

One National Life Drive, Main 2 [phone] 802-490-6113

Montpelier, VT 05620-3520 [fax] 802-828-1551

MEMORANDUM

TO: Susanne Young, Secretary, Agency of Administration and Chair of the Clean Water Board
FROM: Kari Dolan, Manager, Clean Water Initiative Program
DATE: June 1, 2018
RE: Clean Water Fund Expenditure Contingency Plan
CC: Brad Ferland, Deputy Secretary, Agency of Administration, Julie Moore, Secretary, Agency of Natural Resources, Anson Tebbetts, Secretary, Agency of Agriculture, Food and Markets, Joe Flynn, Secretary, Agency of Transportation, Michael Schirling, Secretary, Agency of Commerce and Community Development, Emily Boedecker, Commissioner, Department of Environmental Conservation (DEC), Rebecca Ellis, Deputy Commissioner, DEC, Joanna Pallito, Administration and Innovation Division Director, DEC, Kate Slocum, Deputy Chief Financial Officer, Agency of Administration

Summary: Herein is the Clean Water Fund Expenditure Contingency Plan (“Contingency Plan” or “the Plan”) which sets aside a portion of the Fiscal Year 2018 Clean Water Fund annual budget to function as a reserve in the fund, in the event that the revenues fall short of projections. This Contingency Plan replaces the Interim Contingency Plan, put in place in 2016. This Contingency Plan is necessary to avoid a risk of spending more funds than are available in any state fiscal year. The Plan will apply to State Fiscal Year 2018 allocations and remain in effect until such time that the Clean Water Board (the “Board”) modifies this plan as the Final Clean Water Fund Expenditure Contingency Plan.

Clean Water Fund Expenditure Contingency Plan: The Contingency Plan involves maintaining a minimum balance of \$500,000 in the fund as a reserve. These funds will be held as a minimum balance to maintain a positive cash balance in the Clean Water Fund, in the event that revenues under-perform. This reserve will be initially funded with the existing reserve from the FY2018 allocations. When the Board adopts a spending plan from the Clean Water Fund as part of the state’s budget process for FY2020 it will no longer include a ten percent reserve as one of the allocations. Any annual adjustments to the appropriations will need to ensure that the minimum balance is consistently maintained at a \$500,000 minimum balance.

Application: The Board, when adopting an allocation recommendation or adjustment to current Clean Water Fund allocations, beginning in State Fiscal Year 2020, will first ensure that revenues have performed at least as expected during the previous fiscal year and include any adjustment that may be needed to maintain a \$500,000 minimum cash balance in the fund in accordance with this plan. This approach ensures that if the Clean Water Fund under-performs, the minimum balance will be restored prior to allocation of funds for projects.

The contingency funds listed in the FY2019 Clean Water Fund Allocations, which were related to the Interim Contingency Plan of 2016 and in the amount of \$500,000, were not part of the Board’s FY2019 budget

process. These funds will be added to and distributed with the FY2020 allocations using the Board's standard budget-making process.

Should the Clean Water Fund over-perform in a fiscal year, generating funds at higher than forecasted levels, the additional Clean Water Funds shall also be disbursed as part of the Board's subsequent fiscal year Clean Water Fund budgeting process.

Background: The Act 64, also known as the Vermont Clean Water Act, was signed into law on June 16, 2015. Act 64 establishes the Clean Water Fund and uses as its primary revenue source a surcharge to the property transfer tax. The law also established a Clean Water Board to administer the Fund.¹

The purpose of the Clean Water Fund is to provide additional state funds above current allocation levels to complement, enhance and leverage existing resources for the restoration and protection of Vermont's rivers, streams, lakes, ponds and wetlands. The Clean Water Fund provides financial support for actions that will reduce pollution washing into Vermont's waterways. To maximize its effectiveness, the Fund is structured to strengthen and complement existing state assistance programs, such as grant and loan pass-through programs, wherever feasible.

As stipulated in Act 64, the Clean Water Board meets periodically to develop a proposal for investing revenues from the Clean Water Fund in programs that will make a significant contribution towards improving the water quality of Vermont's surface waters. After a public notice and comment period, Clean Water Board prepares a final Clean Water Fund budget, to be incorporated into the Governor's proposed budget for the General Assembly to approve.

The State of Vermont is committed to expending only the funds that are available within the Clean Water Fund. This Clean Water Fund Expenditure Contingency Plan assures a minimum fund balance of \$500,000. These funds are to be used as a reserve, in the event that revenues do not perform as expected. This Contingency Plan provides the following benefits:

- Eliminates the risk of over-spending more than the funds available in the Clean Water Fund;
- Keeps the process streamlined;
- Allows for more effective and efficient administration between the Department of Finance & Management, the Tax Department, the Legislature and our Agency Programs; and
- Removes the risk and related program impacts of spending above available amounts on any one agency.

Authorized by:

**Susanne Young, Secretary
Agency of Administration
Chair of the Clean Water Board**

Date

¹ Act 168 of 2018 (S.260) changed the name of the Board to Clean Water Board.