

2019

Report on Federal Funding Related to Water Quality Improvement Efforts in Vermont



August 30, 2019

Prepared for the Vermont General Assembly pursuant to 10 V.S.A. § 1389(a)(d)(3).



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The Secretary of Administration appreciates the assistance received from staff at the Agencies of Natural Resources, Agriculture, Food and Markets and Transportation in the preparation of this report, as well as the collaboration from USDA's Natural Resources Conservation Service and Rural Development Agencies.

Cover Photos:

- Top Left: Stabilized stream crossing and vegetated buffer, Courtesy of USDA NRCS
- Top Right: Municipal wastewater treatment facility, Courtesy of Vermont DEC
- Bottom Left: New barnyard feedlot structure and waste storage facility, Courtesy of USDA NRCS
- Bottom Right: Restored wetland, Courtesy of USDA NRCS

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Introduction

This report fulfills the requirement contained in 10 V.S.A. §1389a(d)(3) :

(d)(3) On or before September 1 of each year, the Secretary of Administration shall submit to the Joint Fiscal Committee a report regarding the information required under subdivision (b)(5) of this section relating to available federal funding.

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

The intent of this report is to better anticipate federal clean water funding to support Vermont’s clean water improvement programs. It should be noted that an exact correlation between state and fiscal years is not possible, first because the state (SFY) and federal fiscal years (FFY) do not coincide; second, because some federal grants cross several state fiscal years; and third, because Congress has in recent years either not passed a budget bill, passed a budget late in the fiscal year, or passed appropriations to relevant Federal agencies at different times of the year (e.g., Farm Bill vs. Interior Appropriations Bill).

The federal fiscal year runs from October 1st to September 30th, while the state fiscal year runs from July 1st to June 30th. This report provides the best available estimates of FFY19 funding to be applied in SFY20, which should be considered the maximum likely values.

| | SFY17/FFY17 | SFY18/FFY18 | SFY19/FFY19 | SFY20/FFY20 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
| State Fiscal Year (SFY) | 7/1/16-6/30/17 | 7/1/17-6/30/18 | 7/1/18-6/30/19 | 7/1/19-6/30/20 |
| Federal Fiscal Year (FFY) | 10/1/16-9/30/17 | 10/1/17-9/30/18 | 10/1/18-9/30/19 | 10/1/19-9/30/20 |

Table 1 at the end of the report includes federal funding that passes through the state budget, as well as funding that passes outside the state budget, such as the U.S. Department of Agriculture’s (USDA) Environmental Quality Incentives Program and USDA’s Rural Development low-cost loan program for municipalities.

Vermont Agency of Agriculture, Food and Markets (AAFM)

The Vermont Agency of Agriculture, Food and Markets (AAFM) receives federal funds to support its engineering capacity from the following programs related to water quality:

- U.S. Environmental Protection Agency (U.S. EPA) Section 319 Nonpoint Source Grant passthrough from Agency of Natural Resources (ANR) to AAFM. Section 319 supports 2.3 full time equivalent (FTEs) positions within AAFM. The Section 319 program is described below under the ANR section of this report.
- U.S. Department of Agriculture (USDA) Natural Resources Conservation Services (NRCS) Strategic Watershed Action Teams (SWAT), a program that focuses on the most critical sub watersheds to accelerate agricultural best practices implementation. The program currently funds 50 percent of two FTEs.

The table at the end of this report has a complete list of federal programs that support agricultural water quality improvements and their funding levels for FFY19.

Vermont Agency of Natural Resources (ANR)

The Agency of Natural Resources Department of Environmental Conservation (DEC) administers and funds most of the state's environmental programs. In SFY20, DEC will receive 40.6 percent of its funding (\$42.4 million of its \$104.4 million budget) from federal sources, primarily from the U.S. EPA. Approximately \$20 million of these funds represent multiple grant awards for the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF). In 2019, the federal government increased the FFY19 U.S. EPA award to DEC through the Lake Champlain Basin Program from \$4,046,724 to \$6,999,559. These SFY20 numbers reflect that increase.

Section 319 Nonpoint Source Grant

U.S. EPA's FFY19 Section 319 Nonpoint Source Grant (PPG319) application was for \$1,154,994 a slight decrease from last year's funding level of \$1,166,901. This funding represents approximately 5.2 percent of DEC's base federal funding of approximately \$22 million (excluding federal State Revolving Loan Fund Program).

The federal Clean Water Act Section 319 grant supports approximately 10 FTEs of DEC staff efforts to implement state clean water improvement projects. The grant focuses on addressing nonpoint source pollution – diffuse sources of water pollution caused by precipitation- or snowmelt-driven stormwater runoff from parking lots, roads and other hard surfaces and agricultural lands. Nonpoint source pollution is the leading cause of water use impairment to Vermont's surface water and ground water resources. Funding supports the implementation of the major nutrient TMDLs statewide, including the Lake Champlain TMDLs for phosphorus, the Lake Memphremagog TMDL for phosphorus, and the Long Island Sound/Connecticut River TMDL for nitrogen.

Pollution Control, Water Quality Monitoring (Section 106)

U.S. EPA's FFY19 Section 106 Water Quality Monitoring (PPG106) funds are \$1,020,265, a slight reduction from last year's report showing the FFY18 award of \$1,068,929. The FFY19 which represents approximately 4.6 percent of DEC's base federal funding of approximately \$22 million (excluding federal State Revolving Loan Fund Program).

The federal Clean Water Act Section 106 funds support staffing and related expenses to support statewide water quality monitoring and assessments to ensure that the state's surface waters – rivers, streams, lakes, ponds, and wetlands – are safe for public uses, and that municipally-operated wastewater control facilities and other dischargers into surface waters operate in a manner that maintains good water quality.

Lake Champlain Basin Program

U.S. EPA's FFY19 Lake Champlain Basin Program (LCBP) grant to DEC (on behalf of the State of Vermont) is \$6,999,559. Approximately \$6.25 million of the \$7 million FFY19 Lake Champlain Basin Program award will contribute directly to Lake Champlain TMDL implementation projects. DEC is responsible for overall grant administration and reporting, including direct project management of \$3,900,000. Note that of the total amount for FFY19, Department of Forests, Parks and Recreation (FPR) manages \$450,000 to support forestry accepted management practice implementation, Department of Fish and Wildlife (F&W) manages \$1,325,000 for wetland acquisition and restoration, and AAFM manages \$575,000 to support agricultural best management practice implementation and program development. The total

funding level for FFY19 represents a \$2,952,835 increase from FFY18 funding level of \$4,046,724. The amount for DEC represents approximately 32 percent of DEC's base federal funding of approximately \$22 million (excluding federal State Revolving Loan Fund Program).

This increase is a result of work by Vermont's federal congressional delegation to increase federal funding to support implementation of the Lake Champlain Phosphorus TMDL and will largely be used to fund initiatives related to stormwater management, agricultural stewardship, and natural resources restoration. The LCBP funds also support five FTEs within DEC for FFY19 and the long-term monitoring program in Lake Champlain. The long-term monitoring data are used to identify public health risks and to track progress in implementing the Lake Champlain Phosphorus TMDL. The LCBP also routinely issues grant and contract opportunities to support the implementation of the Lake Champlain Phosphorus TMDL and to complement DEC's water quality programs throughout the watershed.

Clean Water State Revolving Fund (CWSRF)

The CWSRF is a federal-state partnership to provide municipalities and private entities access to low-cost financing for water quality infrastructure projects. The FFY19 capitalization grant appropriation maintained the more than 21 percent increase provided in the previous year's appropriations. For Vermont, the FFY19 capitalization grant is \$7.779 million (a slight decrease from FFY18 of \$7.859 million). There is no change in the federal funding level for administration of Vermont's CWSRF program.

USDA Rural Development Program (USDA-RD)

The USDA-RD program focuses on helping rural communities (communities at or below 10,000 population) grow economically. USDA-RD offers these communities access to low-cost financing to support drinking water, wastewater treatment, and stormwater management. The USDA-RD program estimates up to \$25.8 million will be available to support water infrastructure in FFY19.

Vermont Agency of Transportation (VTrans)

Transportation Separate Storm Sewer System (TS4) Compliance

VTrans-managed state transportation highway network and associated non-highway transportation facilities are subject to a state DEC stormwater permit referred to as the TS4 Stormwater General Permit. VTrans uses state funds to leverage Federal Highway Administration (FHWA) Surface Transportation Block Grant (STBG) funds and Federal Aviation funds to support implementation of stormwater management and abatement practices for TS4 compliance. VTrans requests and receives Legislative approval annually for funding supporting its TS4 compliance efforts. These funds can be expended as stand-alone projects or can be used for these types of improvements as a component of other types of projects, which VTrans has routinely done. VTrans does not get any allocations of federal funds specifically for water quality improvement projects. Funds allocated and expended are at the discretion of VTrans and/or the Legislature. Funding levels noted in this report are estimates only.

Transportation Alternatives Program

The Transportation Alternatives Program is a federally funded program established through MAP-21 and signed into law in July 2012. MAP-21's replacement, the FAST ACT, continues funding for this program to support a variety of project types, including "any environmental mitigation activity, including pollution prevention and pollution abatement activities and mitigation to address stormwater management, control, and water pollution prevention or abatement related to highway construction or due to highway runoff." The Vermont Legislature directed VTrans to dedicate half of the available funding to

these types of projects in SFY17 and to use the full amount of available funding to these types of projects in SFY18 and SFY19. For SFY20 and SFY21 there is no mandated set-aside but municipalities may still apply for funding for these types of projects. Awards result in reimbursement grants that require 20 percent in matching funds from the grantee. Transportation Alternatives funds must be granted out to eligible entities and cannot be used to support VTrans operating costs.

Municipal Mitigation Assistance Program - Federal Highway Administration (FHWA) Surface Transportation Block Grant (STBG)

VTrans receives a set amount of STBG funds each federal fiscal year from FHWA. These funds are used for a variety of purposes, such as paving roads, rehabilitating or repairing bridges and improving infrastructure in downtowns. There is flexibility to use some of these funds for the activities described above in the Transportation Alternatives Program section, but at the expense of the other types of projects that VTrans funds. For SFY20, VTrans requested and received Legislative approval to utilize some of the FHWA STBG funds VTrans receives to grant out to municipalities. Awards result in reimbursement grants that require 20 percent in matching funds from the grantee.

Summary

Table 1 summarizes the estimated maximum federal funds available to Vermont relating to water quality and water infrastructure improvement.

Table 1: Summary of FFY19 Funding Related to Water Quality Improvements in Vermont

| Sector | Federal Agency | Program | Program Description | Lead State Agency | FFY17 Budget | FFY18 Budget | FFY19 Budget |
|----------------------------|----------------|---|--|-------------------|--------------|--------------|---------------------------|
| Agriculture | USDA NRCS | USDA NRCS SWAT Program | Federal share of state FTEs to support agricultural best practice implementation at targeted watersheds | AAFM* | \$46,963 | \$61,049 | \$68,372 ^a |
| Agriculture | USDA NRCS | Environmental Quality Incentives Program (EQIP) | Farm Bill program that supports conservation practices for water quality, soil health & ecosystem benefits | AAFM* | \$13,714,242 | \$13,882,226 | \$13,548,000 ^b |
| Agriculture | USDA NRCS | RCPP EQIP | Agricultural & forestry water quality improvement practices in Champlain Basin | DEC* | \$3,445,984 | \$1,507,553 | \$1,265,000 ^b |
| Agriculture | USDA NRCS | Agricultural Land Easements (ALE) | Farm Bill program to conserve priority agricultural land | AAFM* | \$2,777,500 | \$2,502,000 | \$3,291,000 ^b |
| Agriculture | USDA NRCS | RCPP ALE | Farm Bill program that focuses ALE in Champlain Basin | AAFM* | \$2,558,925 | \$1,182,500 | \$171,000 ^b |
| Agriculture | USDA NRCS | Wetlands Reserve Easements WRE | Farm Bill program to restore & conserve priority wetlands | DEC* | \$1,746,712 | \$153,032 | \$1,103,000 ^b |
| Agriculture | USDA NRCS | RCPP WRE | Farm Bill program that focuses WRE in Champlain Basin | DEC* | \$422,449 | \$234,167 | \$232,000 ^b |
| Agriculture | USDA NRCS | CREP | Farm Bill program that establishes landowner agreements to install woody vegetated buffers | AAFM* | \$445,449 | \$360,929 | \$382,343 ^c |
| All Sectors | US EPA | EPA Clean Water Act Section 319 | Nonpoint Source Pollution Reduction | DEC | \$1,180,793 | \$1,166,901 | \$1,154,994 |
| All Sectors | US EPA | EPA Clean Water Act Section 106 | Water Quality Monitoring & Assessment | DEC | \$1,114,980 | \$1,068,929 | \$1,020,265 |
| All Sectors | US EPA | EPA Lake Champlain Basin Program | Implementation of the Lake Champlain Management Plan | DEC | \$526,000 | \$4,046,724 | \$6,999,559 |
| Clean Water Infrastructure | US EPA | EPA Clean Water State Revolving Fund | Low-cost financing for water quality infrastructure projects | DEC | \$6,525,000 | \$7,859,000 | 7,779,000 |
| Clean Water Infrastructure | USDA-RD | USDA Rural Development | Low-cost financing for water quality infrastructure projects in rural communities (< 10,000 population) | DEC* | \$23,831,761 | \$20,000,000 | \$25,876,000 ^d |

| Sector | Federal Agency | Program | Program Description | Lead State Agency | FFY17 Budget | FFY18 Budget | FFY19 Budget |
|----------------|----------------|--|--|-------------------|---------------------------|---------------------------|--------------------------|
| Transportation | FHWA | TS4 Stormwater General Permit | Projects and maintenance practices to address TS4 compliance state highways and VTrans managed non-highway developed lands | VTrans** | \$3,200,000 | \$4,000,000 | \$4,000,000 |
| Transportation | FHWA | Transportation Alternatives | Variety of transportation projects that meet eligibility criteria, one of which is environmental mitigation | VTrans*** | \$1,100,000 | \$2,200,000 | \$2,200,000 ^e |
| Transportation | FHWA | Municipal Mitigation Assistance - Surface Transportation Block Grant | Variety of transportation projects that meet eligibility criteria, one of which is environmental mitigation | VTrans*** | \$5,442,342 | \$5,442,342 | \$1,428,000 |
| TOTAL | | | | | \$68,079,100 ^f | \$65,667,352 ^f | \$70,518,533 |

State Lead Agency Footnotes

- * Federal appropriations pass in whole or part outside of the state budget
- ** Federal funds shown are estimates only across multiple VTrans program areas and budgets.
- *** Funds shown reflect the amount appropriated by the Legislature during each of the state fiscal years

Footnotes on dollar figures

- a. 8/23/2019 – AAFM total expenditures paid in FFY19 by SWAT grant.
- b. 8/21/2019 – NRCS – O.Racicot for VAAFM - Ryan Patch – numbers rounded to nearest \$1,000
- c. 8/23/2019 – FSA – K. Peck for VAAFM – Jeff Cook – The total Vermont FSA paid 10/1/18 through 8/23/18 for CRP and CREP, including annual rental payments for all contracts, cost-shares and incentive payments.
- d. These figures comprise USDA RD planned spending for the federal fiscal year accounting for all water infrastructure projects, including wastewater, stormwater, and drinking water. It is not feasible to distinguish the relative proportions of each sector until that fiscal year is closed.
- e. Depends upon the grant application
- f. The 2017 and 2018 versions of this annual report series included errors in the Table 1 total sum of federal funds for FFY17-18. The FFY17-18 total sums have been corrected in this 2019 report.

Key to Abbreviations:

- AAFM: Vermont Agency of Food and Markets
- ALE: Agricultural Land Easements
- CREP: US Department of Agriculture Conservation Reserve Enhancement Program
- DEC: Vermont Department of Environmental Protection
- EPA: US Environmental Protection Agency
- FTE: Full Time Equivalent; a staff position
- FHWA: Federal Highway Administration
- NRCS: USDA Natural Resources Conservation Service
- RCPP: US Department of Agriculture Resource Conservation Performance Partnership
- SWAT: USDA NRCS Strategic Watershed Action Team
- TMDL: Total Maximum Daily Load
- USDA: US Department of Agriculture
- TS4: Transportation Separate Storm Sewer System stormwater general permit

VTrans: Vermont Transportation Agency
WRE: USDA Wetlands Reserve Program