

RESPONSE SUMMARY

June 3, 2022

Program: **Water Investment Division Clean Water Initiative Program and Watershed Planning Program**

Activity Name: **DRAFT Water Quality Restoration Formula Grant Targets and Fund Allocation Methodology**

Permit Number/Other ID: **Targets and Fund Allocation Methodology**

1. [Submitted by Northwest Regional Planning Commission (NRPC)] General Comments: NRPC provided many comments on the draft document as it was being developed and is pleased to see that many of the edits we suggested have been incorporated.
Response: Thank you for your comment. No changes needed.
2. [Submitted by NRPC] Water Quality Restoration Formula Grant Overview: This introductory section should help readers who are not familiar with the topic get their bearings. The section would be even more helpful if written in a simpler, less formal style.
Response: Thank you for your comment. VTDEC feels the tone/style of this document is appropriate for the target audience of Clean Water Service Providers, Basin Water Quality Councils, clean water project practitioners, and policy makers. VTDEC will continue to improve on its communications on this topic in future iterations. No changes needed.
3. [Submitted by NRPC] Non-Regulatory Total Phosphorus Load Reduction Targets: To an outsider, the sector-specific reductions can seem rather subjective. (In NRPC's view, DEC should plan to revisit the allocations within three years as additional data become available.) However, if read carefully, the descriptions are also reasonably clear. It might take readers a couple of passes to understand what is going on; but they will be able to understand. On an unrelated note, it's not clear that references to particular individuals are needed in a document of this type and if not, the text can refer to offices or divisions within the Department.
Response: VTDEC agrees with the recommendation to revisit the allocations in future years. No changes needed. VTDEC agrees with the recommendation to refer to roles in the methodology by organization and not as individuals and has replaced one reference to an individual with the Watershed Planning Program that led this analysis.
4. [Submitted by NRPC] Cost Rate Calculation Methodology: The proposed cost rate methodology seems reasonable to use to begin the process. (Revisiting or updating the methodology is not nearly as important as using updated data over time.) And again, if read carefully, the descriptions in the text are reasonably clear. NRPC agrees wholeheartedly with the principle embedded in this section: project identification and development funds should be distributed to watersheds in proportion to the total annual phosphorus reduction target for the watershed.
Response: VTDEC agrees with the recommendation to revisit the methodology to incorporate new data in future years. No changes needed.
5. [Submitted by Jill Arace, Vermont Association of Conservation Districts, at 4/12/2022 public meeting] Cost Rate Calculation Methodology: My initial reaction to the project development percentage that you calculated was that it seemed low to me. Not sure that the history of your grant making reflects the true cost of project development since most of this work has been completed by voluntary organizations who have not been paid. Ask DEC to consider identifying a floor for some of these costs since 4% for a small project isn't a lot of money and it sometimes takes as much effort to get a small project developed as it does a larger project. Thank you for the presentation, it was very interesting.
Response: VTDEC estimated 4% of total Formula Grant funds will be used for project development activities based on review of the VTDEC Clean Water Initiative Program SFY 2021 and SFY 2022 Spending Plans—the two recent state fiscal years where project development funds became available. This methodology is intended to reflect, at a high-level, the cost of reducing a unit of phosphorus, annualized over the roughly fifteen-year implementation timeframe. It does not dictate how Formula Grants are

allocated year-to-year at the project-level, acknowledging that the proportion of dollars awarded by project step will vary year-to-year. This methodology does not set 4% of Formula Grant funds as a ceiling/limit for project development funds. Rather, it estimates 4% as the annual average investment in project development over a fifteen-year implementation period. For example, CWSPs may increase the percentage of funds above 4% for project development work in year one, if they find that they do not have enough projects to meet targets, and in subsequent years, increase percentage of funds for design/engineering and implementation. VTDEC acknowledges in the methodology and agrees that project development costs are not necessarily correlated directly with individual project categories' design/engineering and construction costs—some lower cost project types may require as much funding for development as higher cost project types. This methodology does not restrict project development funds to 4% of individual project costs. Rather, the methodology estimated project development costs as a percentage of the total Formula Grant funds, not tied to individual project/sector cost rates. VTDEC hopes this provides additional explanation around flexibility on the percentage of funds available for project development. No changes needed.

6. [Submitted by NRPC] Correlating Cost Rates to Non-regulatory Targets for Water Quality Restoration Formula Grant Fund Allocations: NRPC's primary concern with this section—and indeed the entire document—is the unmitigated impact a minimum funding level of \$650,000 has on the funding available to complete projects in the Missisquoi Bay Basin. As noted in the text, one-year phosphorus reduction targets have been “scaled” in all basins to match available funding levels statewide. But, in the case of the Missisquoi Bay Basin, the reduction is much more extreme (by approximately \$792,000, or a 29% reduction). because that Basin's initial allocation is the source of a large portion of the funds redistributed to smaller watersheds. (Note: As the CWSP for the Lamoille basin as well as the Missisquoi Bay basin, we recognize that our efforts in a smaller basin are helped by having a floor allocation. However, this benefit is small and should not be achieved with such negative impact on the Missisquoi Basin.) NRPC believe the result is wholly at odds with the funding principle set forth above. We believe it severely limits our ability to contribute to non-regulatory P reduction targets for the Missisquoi basin over the long term. We also believe the funding formula must contain a mechanism to restore redistributed funds to the basin with the most significant phosphorus problem in the Lake Champlain Basin. The Formula Grant Targets and Fund Allocation Methods document should not be finalized until a process for restoring lost funds is identified.
Response: VTDEC acknowledges the challenge that scaling targets to achieve the minimum \$650,000 funding level represents in the longer term. VTDEC will evaluate the approach to meeting the minimum funding levels for basins in future years. One option that may be considered in future years is splitting the reallocated funds across multiple basins with funding above the minimum threshold, not just the Missisquoi Bay basin. The necessity to employ a reallocation to achieve the minimum \$650,000 threshold may vary in future years, depending on total funds available for Water Quality Restoration Formula Grants in the clean water budget. No changes needed.
7. [Submitted by NRPC] Current Limitations/Uncertainty and Future Recommendations: It is important for data limitations and uncertainty about the future to be acknowledged in a document of this type, and we applaud DEC for identifying them in this section. NRPC agrees there will be ongoing need to assess the phosphorus load reductions that can be achieved through regulatory and non- regulatory programs. The scaling of phosphorus targets in the short term will do nothing to change the phosphorus targets for which the state is ultimately responsible. The gap between intermediate targets and actual load reductions will only grow if needed adjustments are not made.
Response: VTDEC acknowledges the first year of Formula Grant funds are scaled to funds available in the SFY 2023 clean water budget, as Clean Water Service Provider and partner capacity development efforts are underway. VTDEC will monitor total estimated funding need and dollars available to inform future funding needs/allocations. No changes needed.
8. [Submitted by NRPC] Cost Rate Calculation Methodology by Clean Water Project Category: The proposed cost calculations appear reasonable to use to begin the process. However, as we appear to be entering a period of price inflation, NRPC believes it would be prudent to plan for costs rising at a rate faster than encountered recently.
Response: VTDEC acknowledges and agrees with the recommendation to monitor impacts of inflation on project costs. VTDEC has identified this as a current area of uncertainty to monitor and adjust in the methodology as needed in the future. No changes needed.