

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?

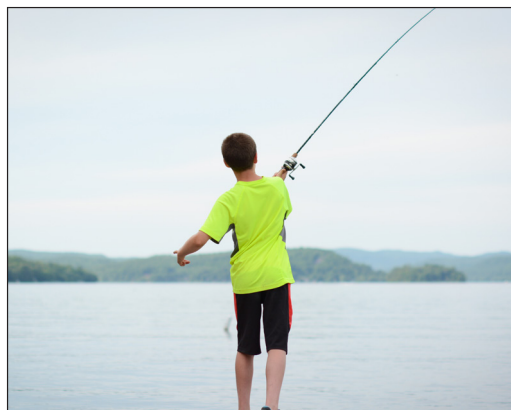
Property values in towns along Lake Champlain total nearly 2 billion

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.**



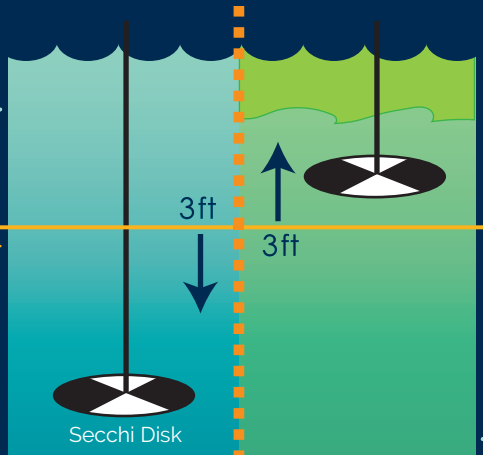
THE ECONOMIC IMPACT OF CLEAN WATER

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.

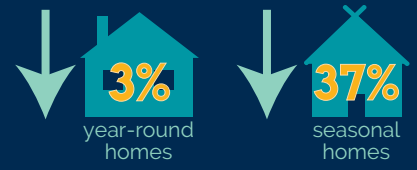
Secchi disk depth measures the clarity of water, which is an indicator of how clean the water is.

+10%
higher seasonal room rates for towns with lake-dependent tourism*

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



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

The Cost of Clean Water

Vermont is committed to ensuring a legacy of clean water for this and future generations. We all benefit from clean water and have a shared responsibility to pay for it. The costs of protecting and restoring clean water are real and significant. These costs will be borne by federal and state government, municipalities and the private sector.



We are at a critical point in time to decide on how we pay for clean water. We need to identify a cost-effective and equitable long-term funding solution.

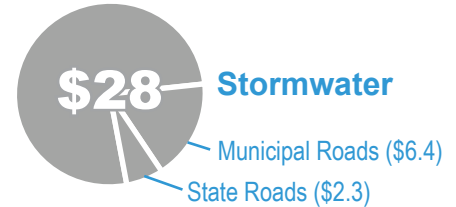
For more information, visit:
<http://cleanwater.vermont.gov>

Required Phosphorus Load Reduction in the Lake Champlain Basin (metric tons/year)



* Reduction in permitted load allocation

Annualized Statewide Funding Gap (millions of dollars)



Total = \$68 million/year over 20 years

Who pays and how much?



KEY QUESTIONS:

How much of clean water costs should the State of Vermont subsidize?

How do we raise the revenue needed to meet our clean water requirements?

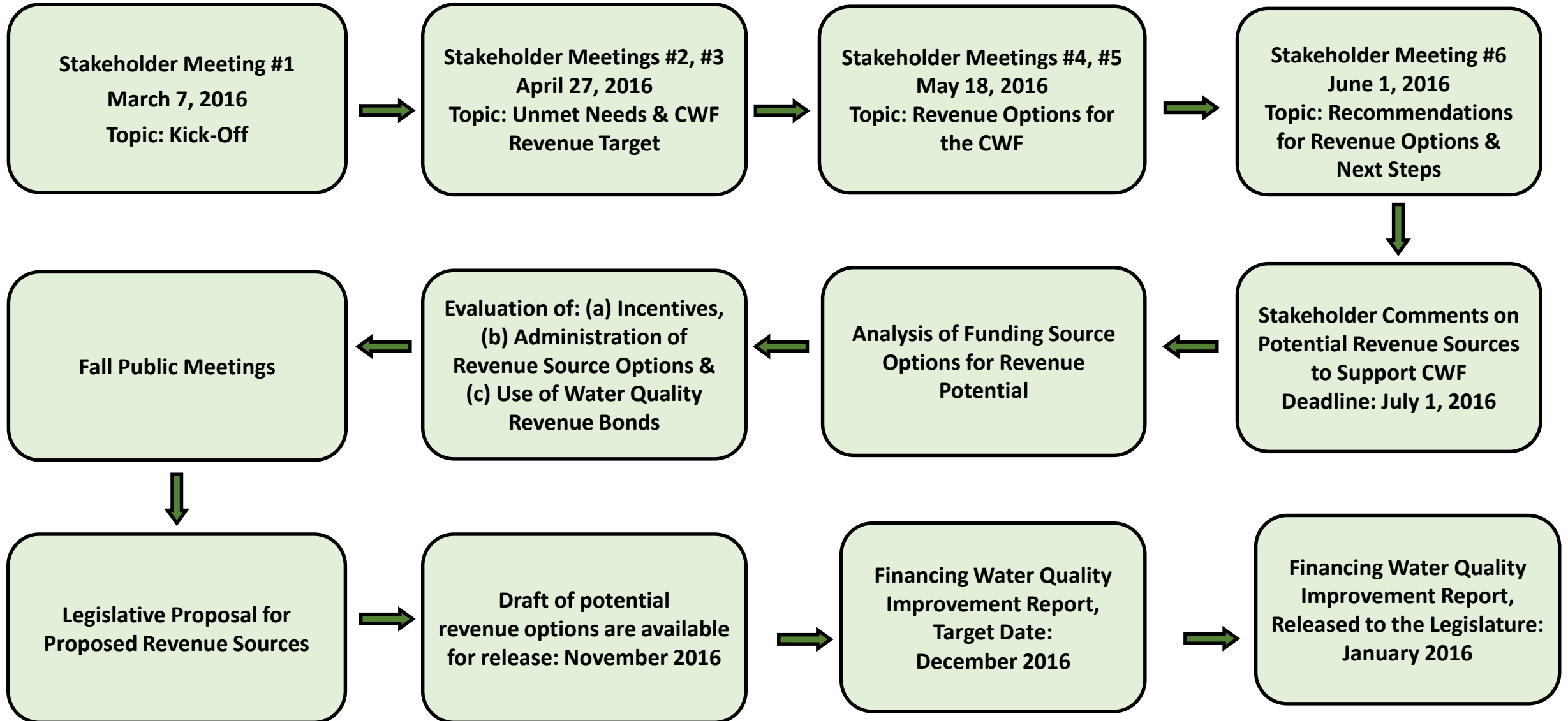
Anticipated federal share of clean water costs is assumed to stay constant at current funding levels.

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)



Summary of Vermont Clean Water Fund Progress

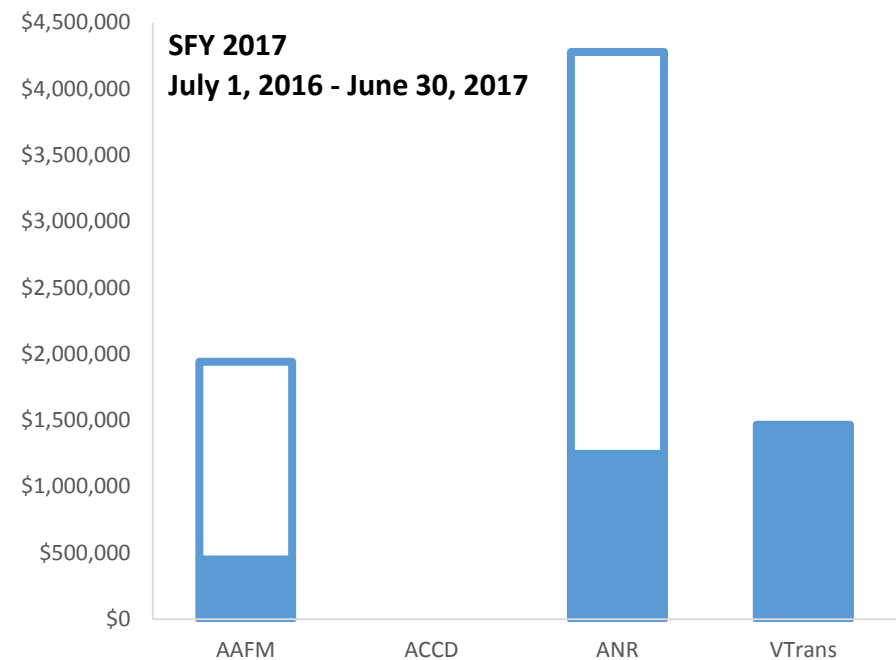
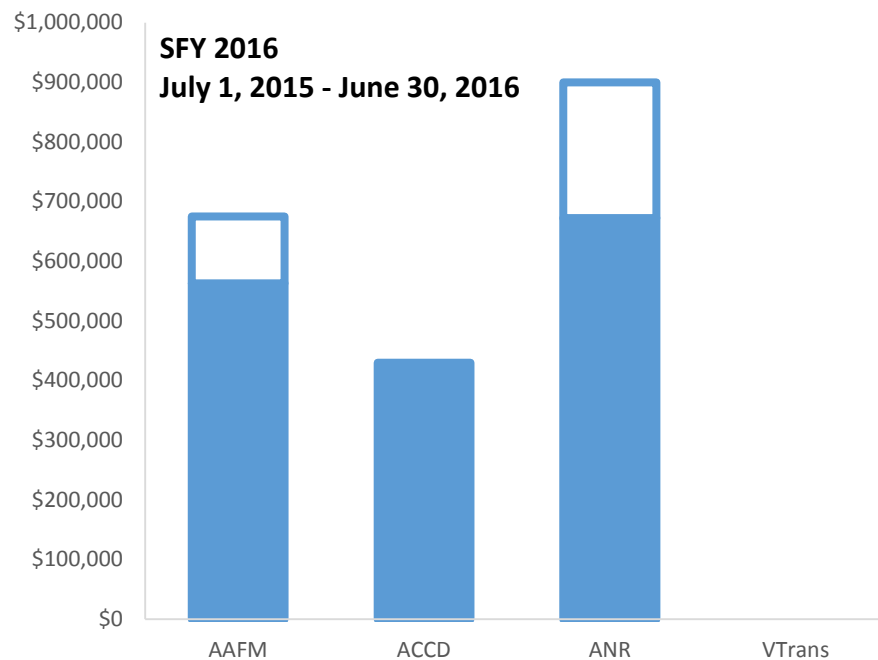
Updated July 21, 2016

The Vermont General Assembly appropriated funding from the State Fiscal Year (SFY) 2016 and SFY 2017 Clean Water Fund (CWF) in Spring 2016. State agencies have already begun directing these funds to priority projects using their existing grant and contract programs.

The following pages summarize projects funded with SFY 2016 and SFY 2017 CWF dollars by agency thus far, as well as funds to be awarded to projects within the current planning period. The bar graphs, below, summarize the agencies progress, to date, awarding CWF dollars to projects.

The *Clean Water Initiative Annual Performance Report*, expected to be released in January 2017, will summarize all CWF investments made by the CWF Board and other funds used by State agencies for clean water restoration. In future years, the *Clean Water Initiative Annual Performance Report* will summarize projects funded for the reporting year in lieu of this summary document.

Summary of Funds to Support Projects by Agency



■ Awarded to Projects ■ To be Awarded to Projects within Current Planning Period

■ Awarded to Projects ■ To be Awarded to Projects within Current Planning Period



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	Effect on Outside Dollars	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	Increases outside dollars (i.e. fed match), inhibits outside dollars, or has no effect	Targeted entities, potential consequences, & scale of impact	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										
41	Exporting waste as a value-added product (i.e. fertilizer)	Included in Pharmaceutical Tax										
42	Tax on products that use phosphorous and nitrogen during production/tax incentive for those that don't											
Other Sources												
Sales Tax on Services & Other Sources												
43	Sales Tax on General Auto Repair											
44	Sales tax on new car dealer labor charges, work under warranty, and value of service contracts											

Please send comments to TAXCommissioner@vermont.gov

Revenue Evaluation Criteria		Revenue Potential	Predictability	Sufficiency	Effect on Outside Dollars	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	Increases outside dollars (i.e. fed match), inhibits outside dollars, or has no effect	Targeted entities, potential consequences, & scale of impact	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	
45 Sales Tax on Storage Units												
46 Sales Tax on Pet Care (except vet services)												
47 Sales Tax on Parking Services (Lots and Garages)												
48 Sales Tax on Marinas												
49 Sales Tax on Landscaping Services (residential and commercial)												
50 Sales Tax on Limousine Services												
51 Sales Tax on Beauty Salon Services												
52 Sales Tax on Nail Salons												
53 Excise Tax on water appliances and plumbing fixtures												
54 Other sources												

Please send to: [redacted]

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 October 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	
Effect on Outside Dollars	A revenue source’s potential to attract outside dollars from entities such as the federal government or inhibit another source of revenue.	a) Who does the source target? b) What are the potential consequences? c) Attracts or inhibits outside dollars?	
Economic Impact	The entities that a revenue source targets and the potential economic consequences of that revenue source.		
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>		