

Watershed Management Division

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MEMORANDUM

TO: Justin Johnson, Secretary, Agency of Administration
FROM: Kari Dolan, Manager, Clean Water Initiative Program
DATE: July 22, 2016
RE: Interim Clean Water Fund Expenditure Contingency Plan
CC: Joanna Pallito, Alyssa Schuren, Trey Martin, Pete LaFlamme, Mary Borg

Summary: Herein is the Interim Clean Water Fund Expenditure Contingency Plan (“Interim Contingency Plan” or “the Plan”) which sets aside a portion of the final Clean Water Fund annual budget to function as a reserve in the fund in the event that the revenues fall short of projection. This Interim 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 Fund Board modifies or adopts this interim plan as the Final Clean Water Fund Contingency Plan.

Clean Water Fund Expenditure Contingency Plan: The Interim Contingency Plan involves annually setting aside the funds needed to maintain a reserve in the fund equivalent to 10 percent of the prior year appropriated amount. These funds will be held in reserve to maintain a positive cash balance in the Clean Water Fund that may exist if revenue under-performs. When the Clean Water Board adopts a spending plan from the Clean Water Fund, it will include a 10 percent reserve as one of the allocations. Any annual adjustments to the appropriations will determine the amount that remains in the fund as a reserve.

Application: The Clean Water Board, when adopting an allocation recommendation or adjustment to current Clean Water Fund allocations, beginning in State Fiscal Year 2018, will include a fund reserve that is consistent with this plan. This approach ensures that if the Clean Water Fund under-performs, the projects will not be affected. Annually, the Clean Water Fund Board will ensure that projected reserve at the end the fiscal year is equivalent to 10 percent of the prior year’s appropriations.

Should the Clean Water Fund under-perform in Fiscal Year 2017, and state agencies have expended 100 percent of the Clean Water Fund allocations, the Clean Water Fund of State Fiscal Year 2018 will be used to address the revenue shortfall.

Background: The Act 64, also known as the Vermont Clean Water Act, was passed by the Vermont General Assembly during the 2015 session and signed by Governor Shumlin on June 16. Act 64 establishes the Clean Water Fund and uses as its revenue source a surcharge to the property transfer tax. The new law also established a Clean Water Fund Board to administer the Fund.

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,

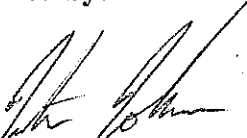
streams, lakes, ponds and wetlands. The Clean Water Fund provides financial support for actions that will reduce pollution washing into Vermont's waterways. To maximize its effectiveness, the Fund is structured to strengthen and complement existing state assistance programs, such as grant and loan pass-through programs, wherever feasible.

As stipulated in the new law, the Clean Water Fund Board meets annually 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 Fund 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 contingency plan of deferring 10 percent for the following fiscal year 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:



8/1/2016

**Justin Johnson, Secretary
Agency of Administration
Chair of the Clean Water Fund Board**

Date

Acronyms

AAFM: Vermont Agency of Agriculture, Food and Markets

ACAP: Vermont DEC's Agronomy & Conservation Assistance Program, a program that provides support to partners in the delivery of agronomic (soil and nutrient management) assistance to farmers

ACCD: Vermont Agency of Commerce and Community Development

ANR: Agency of Natural Resources

BMP: Best Management Practices, activities to address water quality impacts from land-based sources that are the result of precipitation-driven runoff and erosion.

CWF: State of Vermont Clean Water Fund

DEC: Vermont Department of Environmental Conservation, a department under ANR

FAP: Farm Agronomic Practices, a set of practices for farmers to employ to minimize losses of soil, nutrients and agricultural waste from runoff and erosion to enhance soil health

FED: Vermont DEC's Facilities Engineering Division

LCB: Lake Champlain Basin. Vermont's portion of the LCB represents approximately half the land mass of Vermont

LiDAR: Standing for "Light Detection And Ranging," is a state-of-the-art mapping technology that produces high resolution maps as baseline information to aid in identifying priority water quality needs. Other applications include flood and erosion hazard mapping, landslide hazard mapping and transportation project support

LCBP: Lake Champlain Basin Program

Stormwater Utility: A system adopted by a municipality or group of municipalities under 24 V.S.A. chapter 97, 101 or 105 for the management of stormwater runoff

TMDL: Total Maximum Daily Load; a pollution budget that establishes the maximum amount of a pollutant a waterbody can receive from many different sources of that pollutant while still meeting water quality standards. Federal Water Pollution Control Act of 1972, 33 U.S.C. Section 1251 et seq., Section 303(d)

USDA: United States Department of Agriculture, which, as part of the federal Farm Bill, offers a number of conservation programs to protect water quality and improve soil health

VTrans: Vermont Transportation Agency

State of Vermont

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Cover Note

TO: Justin Johnson, Secretary, Agency of Administration

FROM: Sam Winship, Budget Analyst, Department of Finance and Management

RE: Interim Clean Water Fund Expenditure Contingency Plan

DATE: 08/01/2016

I concur with the plan laid out in the attached memo and recommend that you approve it. This plan was discussed in some detail at the last Clean Water Initiative Financial and Reporting Group meeting. The Property Transfer Tax is a difficult revenue source to project. This reserve will provide the relatively new Clean Water Fund with a margin of safety and could help prevent the state from spending this very public special fund into deficit if anticipated revenues do not materialize.

STW

