

**DRAFT** – 2/1/2017  
CCRPC Comments on the  
State Treasurer’s Clean Water Report, Required by Act 64 of 2015

Thank you very much for the hard work and consultation that went into developing this report and its recommendations. It is a significant step forward in developing a long term funding system for achieving our shared clean water goals.

**Support:** In order for the State of Vermont to establish a stable, long-term source of water quality funding to meet our water quality goals, we support the following:

1. **Statewide Approach.** We endorse an approach that takes a State-wide perspective and does not focus only on the Lake Champlain basin or a particular region.
2. **Biggest bang for the buck.** Raising the majority of needed funding statewide will allow the State to best manage investments that have the greatest cost-effectiveness. The cost to society will be less if effective investments are made in high-priority locations. This is important to most efficiently meet our Clean Water goals.
3. **Real Need.** There are significant funding gaps for municipalities and other regulated entities to achieve compliance. The total cost of capital investments in clean water are estimated at \$115 million per year for the next 20 years. The funding gap is \$62 million per year. The current recommendation is to fund \$25 million per year.

It is important to keep in mind that these costs do not include project planning and development costs or ongoing operating and maintenance costs, which may be as much or more than the capital costs on an annual basis and are ongoing. So, the total true cost may be \$230 million or more.

Considering these additional project planning and development costs and operating and maintenance costs, the State should raise enough revenue to cover 80% of capital costs, or \$50 million/year.

4. **Raise funds statewide.** These compliance efforts will be most assisted by meeting a significant portion of the cost through statewide revenues. Municipal budgets, and their limited base of property taxes, cannot afford the significant cost of water quality compliance on their own. This will allow for equitable revenue-raising statewide and decrease inequity among municipalities in raising sufficient revenue to implement what needs to be done. Please keep in mind that any municipal costs that are not covered by the State will still be borne by taxpayers at the municipal level, but probably in very unequal ways as some towns move more quickly and some more slowly.
5. **Immediate funding.** We support the interim funding proposal of extending the property transfer tax surcharge for another year to 2019 and using state bonding capacity until a long-term revenue can be implemented. The three priorities, in order, for this interim period should be:

- i. Developing the administrative systems to determine, collect, and distribute parcel-based revenue.
  - ii. Investing in project development.
  - iii. Investing in capital projects that are “shovel ready.” There is some concern here that those that are “shovel ready” now may not be the most cost effective projects.
6. **Nexus.** That there be a clear nexus between how funding is raised and water quality; that is, the revenue source should be closely related to either a significant pollution source or a direct beneficiary of improved water quality. Meeting the documented stream impairment and phosphorus, stormwater, and nitrogen TMDL requirements should be the principal targets.
7. **Parcel Fee/”All-in.”** A broad-based approach that spreads these costs out among all Vermonters. A parcel-based fee of some kind makes the most sense in terms of having a rational nexus and having an “all in” approach. This would include properties that are exempt from property tax. In concept, we support the recommendation to implement a parcel-based tiered fee at the beginning of FY19, with a more accurate impervious-based tiered fee to follow when ready.
8. **Additional revenue source options.** With regard to the various fee/tax mechanism listed on pages 59-60 of the Treasurer’s Report, the State should continue to explore the adoption of fees with a clear and defensible nexus to water quality.
9. **Additional Resources.** The State of Vermont should raise revenue and bond, as necessary, to provide the match necessary to obtain additional Federal or private funding opportunities. DEC should take an active role in finding and applying for federal funding.
10. **Clean Water Fund Board.** At least one municipal representative should be added to the Clean Water Fund Board in 2017.
11. **Administration Options.** – Of the four Administration Options presented (see page 5 for summary table), we would like to see Option 1: Water Quality Improvement District as a Utility implemented by 2019. Funds should be raised in a statewide system with billing, parcel (GIS and impervious) analysis, and consistent determinations regarding billing, trading, credits, and enforcement decisions made at this level. Some percentage of the funding should be kept at the state level for administration and so that high level priorities can be decided by the Clean Water Board about priority investments in different categories and/or watersheds. This will facilitate development of trading networks so that real prioritization takes place and also provides mechanism for municipalities with less cost-effective implementation options to meet their regulatory obligations.

The majority of funds should be distributed to regions for project identification, management, technical assistance, and long term operation and maintenance. Providing these functions regionally will minimize costs and reduce potentially redundant services if all of this work were to happen at a municipal level. Regardless of which option is chosen, it should provide funding for and support:

- i. regional prioritization of projects;
- ii. a pool of project development, engineering, management/monitoring funds in each region;

- iii. a regional or municipal capital improvement plan approach to project selection rather than competitive grants;
- iv. partnerships between municipalities, property owners, RPCs, conservation districts, and watershed associations;
- v. development of a long-term framework for ensuring proper maintenance, operations and management of these new clean water assets

12. **Administration Options Cost Analysis.** While we assume Option 1 will be most cost effective if billed and collected at the state level, we need some more analysis of the cost of administration for the four administrative options. In particular, the cost of billing and collecting the fees needs to be examined. Municipalities have major concerns about being asked to bill on behalf of the state including tax exempt properties that do not receive municipal bills.

**Relationship to existing stormwater utilities:**

- 13. **Don't double-charge.** We strongly believe that property owners/municipalities with existing stormwater fees not be "double charged". Any statewide fee levied for the purpose of water quality should not reduce existing funding of municipal stormwater programs/utilities. A statewide fee should provide for credits if a property owner is paying into a municipal stormwater programs/utility or for their own permit (3 acre, Ag). We want to make sure that municipal stormwater utilities have the flexibility to meet the requirements of their permit with DEC.
- 14. **Access to State funding.** Even if a municipality has established a stormwater utility or some other locally-based revenue raising mechanism, municipalities would still like to be able to access additional state funds because no municipalities have the capacity to raise all of the revenues required to address the needs.
- 15. **Regional Collaboration.** A system that allows for regional collaboration with other municipalities or with property owners with separate stormwater permits when individual municipalities determine that this option would be in their best interest.
- 16. **VTrans Fee?** We wonder about the implications of the VTrans fee to stormwater utilities if the creation of municipal utilities is encouraged.

With regard to how the State of Vermont **collects** water quality funding, we have the following concerns and suggestions:

- 17. **Collection generally.** It is important that the collection system address:
  - a. How to impose a new fee on tax exempt property
  - b. How residents will be able to easily distinguish this fee from local property taxes.
  - c. The cost of administration.
  - d. Method of enforcement/penalties when entities do not pay fee
- 18. **Not municipal collection.** There is not a correlation between making funding decisions at a local/regional level and collecting the fees. While we appreciate the idea of driving the revenue generation and use to a local level, requiring municipalities to collect these funds is problematic because:

- a. Any municipality that does not already have a Stormwater utility would have to develop a new water quality fee collection system for all properties including tax exempt properties, separate from tax bills.
  - b. Property owners will not be able to distinguish the state fee from locally imposed taxes. Municipalities are clearly opposed to adding additional costs to the property taxes.
  - c. There will be a new cost burden imposed on every municipality to collect and enforce this fee.
19. **Statewide collection.** We believe that a detailed analysis of collection options will conclude that it will ultimately be more effective to develop a statewide billing system (paid for out of the revenues) than asking every municipality develop 255 separate billing systems to bill the fee and deduct their administrative costs. The state will have to develop an administrative monitoring system either way. This could build from state efforts to develop statewide parcel mapping (and maybe impervious layer if that is needed).
20. **Collection costs.** The cost of collecting parcel fee revenue needs to be better defined as different options could vary widely. These costs should be covered by these new revenues and not be passed onto regulatory permit fees. If the State does decide on a municipally-based collection system, there needs to be further discussion as to how much, if any, beyond the cost for administration, of these state fees, remain with the municipality.
21. **Trust Fund.** Will these funds carry over from year to year, or be returned to the General Fund if unspent? We'd like to see some sort of trust or enterprise fund be established so that this revenue is always reserved for its intended purpose.

Regarding **permitting** responsibilities, we have the following comments:

22. Stormwater permitting responsibility of the State of Vermont should not be shifted from DEC to municipalities unless the individual municipality wants to do this. This might be done through a delegation process with full authority at the municipality's option. Additionally, if the municipality chooses to take over this responsibility, there should be some manner of compensation allowed

General concern:

23. **More \$ Needed.** We are concerned that even if all revenues explored were implemented, they don't generate enough to meet the needs.
24. We are concerned that if prioritization frameworks include cost-benefit (as they should) that communities with projects that are less cost beneficial (because of constraints of retrofitting in a developed area) might not receive funding. However, because of NPDES permitting requirements these communities will still be required to implement these less cost beneficial practices. A trading system would be very helpful in these situations.

FOR REFERENCE:

<b>Options for Administering an Expanded Clean Water Fund</b>		
<b>Administration</b>	<b>Description</b>	<b>Funding Source for Administrative Costs</b>
Option 1: Water Quality Improvement District as a Utility	Establishes a local, regional or state utility to deliver water quality improvement services. Funds raised locally or regionally are retained locally or regionally, to target state-approved priority clean water improvement projects.	% of funds for full-time equivalent (FTE) at the State that can assist municipalities in the formation of water quality improvement districts (utilities)
Option 2: Clean Water Partnership Block Grant Program	Implementation is outsourced to partner organization via a new clean water block grant program; the grant is structured to achieve specified environmental performance outcomes, such as targeted pollutant reductions	% of funds set aside for program administration
Option 3: A New Municipal Clean Water State Aid Program	Applies a formula-based model, similar the VTrans General State Aid to Town Highways, for distributing funds directly to entities, such as regional partner or even directly to municipalities; example includes distribution of funds directly for implementation that supports compliance with a state permit	% of funds set aside for program administration
Option 4: Current Funding Model: Provide Enhanced Management Using State Agency Funding Programs	State agencies support outcome-based implementation using existing funding programs	% of funds set aside for program administration