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Vermont Environmental Trust Fund Establishment

An Analysis of Potential Strategies

Presented to the Vermont House Committee on Fish, Wildlife, and Water Resources

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March 12, 2015

Support for the Policy Research Shop is provided by the Fund for the Improvement of Postsecondary Education, U.S. Department of Education. 

The contents of this report were developed under grant P116B100070 from the U.S. Department of Education. However, these contents do not necessarily represent the policy of the U.S. Department of Education, and you should not assume endorsement by the Federal Government.



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Vermont's Position

- EPA mandate to reduce phosphorus pollution
- Develop a funding plan approaching \$1.56 billion
- Develop an administrative plan
- No funding from broad-based taxes
- No state appropriations from the general fund



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Research Objectives

- Assess Vermont's funding of current environmental remediation programs
- Determine Vermont's capability to raise revenue and political feasibility
- Analyze how other states have established, funded, and administered trust funds



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Establishment Context

- North Carolina fund created by political initiative
- Nebraska fund created by political coalition of gamblers and environmentalists, enshrined in state constitution
- Maryland fund established following EPA mandate



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Establishment Lessons

- Establish independent of state agencies with other interests
- Utilize a transparent structure
- Emphasize communication across actors and managers



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Funding Context

- North Carolina funded by state appropriations, license plates: highly variable
 - \$12-14M annually
- Nebraska funded by lottery proceeds: rising with gambling
 - \$18.5M annually
- Maryland funded by state appropriations from motor fuel and rental car taxes
 - ~\$40M annually



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Funding Options

- Lake Champlain ferry operator permit and ticket fees
- Phosphorus polluter fees
- Lake Champlain Bridge toll
- Gas, local property, and industry taxes
- Bonds, lottery proceeds, federal grants, license plate proceeds



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Funding Options: Governor's Proposal

- Agricultural Fertilizer fees
- "Impact Payments" from commercial and industrial parcels in Lake Champlain watershed
- Additional federal and private funding sources



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Funding Lessons

- Vermont's \$1.56 billion plan = \$156 million annually
 - North Carolina, Nebraska, and Maryland's trusts combine to only \$72.5 million annually



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Administrative Experiences

- North Carolina fund managed by board of trustees overseen by advisory council
- Nebraska fund managed by board of directors
- Maryland fund managed by three-way partnership of executive agencies, scientific panel, and the state legislature



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Administrative Lessons

- Attempt to place funding mechanism in state constitution or otherwise secure it from later appropriations
- Use a point system to ensure a level grant process within the trust fund
- Utilize a scientific advisory panel
- Administer by a board with diverse interests



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EPA Climate

- High priority in New England EPA
- Unique in scale in New England, uncommon in nation as a whole
- EPA expecting compliance with VT's stated timeline



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Reassessing No State Appropriations

- \$1.56 billion a challenge to Vermont's small population and limited tax potential
- Revisiting the Legislative and Executive branches' stance on direct appropriations
- Some states have set aside specific appropriations to assist their trust funds



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Sources

- October 29, 2014 interview with Nebraska Trust Fund Executive Director Mark Brohman
- October 30, 2014 interview with North Carolina Trust Fund Executive Director Brian Gossage
- Vermont Lake Champlain Phase I Implementation Plan
- October 16, 2014 interview with VT Rep. David Deen
- February 4, 2015 interview with Maryland Trust Fund Director Matt Fleming
- February 19, 2015 interview with EPA Oceans and Coastal Policy Director Stephen Perkins
- See full report's reference section



Lake Champlain from above. Source: Landsat