

# Vermont Agency of Natural Resources

## FY23 Governor's Recommended ARPA Budget

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# FY22 ARPA Water Infrastructure Initiatives

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\$40m directed to six ANR-led initiatives:

- Village Water & Sewer (\$8m)
- Sewer Overflow (\$10m)
- 3-acre Stormwater (\$10m, includes \$3.5m to VTrans)
- Pretreatment (\$2m)
  - Grants for municipal facilities challenged to manage incoming commercial/industrial wastewater
- Healthy Homes (\$5m, includes \$750k to DHCD)
  - Grants to low-income single-family homeowners, owner-occupied multi-unit residential buildings and mobile home communities for failed (or failing) water or wastewater systems
- Dam safety improvements at state-owned assets, (\$5m → GF)

# FY22 ARPA Water Infrastructure Initiatives

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- \$10m sent to DEC for allocation by the Clean Water Board; Board recommended the following uses:
  - Agricultural BMPs (\$3.5m)
  - Stormwater management (\$3.5m)
  - Municipal (wastewater) pollution control grants (\$3m)
- FY22 budget also allocated \$50m to ANR to be carried forward
  - \$20m (\$10m/year) for allocation by the Clean Water Board in FY23 and FY24
  - \$30m to continue/expand FY22 water initiatives

# FY23 ARPA Water Infrastructure Initiatives

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- \$72m in additional ARPA funding for water infrastructure initiatives initiated in FY22. This includes funding for:
  - Stormwater retrofits (\$32m)
  - Village Water & Sewer (\$15m)
  - Sewer overflow elimination (\$10m)
  - Residential and mobile home community failed (or failing) water or wastewater system improvements (\$10m, includes \$1.5m to DHCD)
  - Pretreatment (\$5m)
- \$10m in ARPA funds allocated to the Clean Water Board, which recommended:
  - Additional stormwater management measures (\$7m)
  - Agricultural BMPs (\$3m)
- *\$3.5 in Capital Bill for dam safety improvements at state-owned assets*

# FY22 ARPA Climate Action Initiatives\*\*

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- FY22 ARPA appropriations totaled \$55m (\$29m ultimately shifted to GF)
  - \$20m in weatherization (\$9m → GF)
  - \$20m in clean energy (\$10m → GF)
  - \$10m for land conservation (shifted to GF)
  - \$5m for hazard mitigation (in Water & Sewer Investments in FY22 Big Bill)
- FY22 budget also identifies total intended ARPA investment in climate action of \$250m

*\*\* largely outside of ANR's budget*

# FY23 ARPA Climate Action Initiatives \*\*

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- Governor's FY23 Recommend proposes \$161.5m in additional ARPA funding for investment in climate action. This includes funding for:
  - \$80m to dramatically expand weatherization efforts for low- and moderate-income Vermont households;
  - \$37m in transportation electrification, including EV incentives and charging infrastructure
    - Includes \$3m to install EV charging stations at State Parks and fishing access areas
  - \$20m upgrade electrical service to 200A in low-income Vermont households
    - Necessary precursor to heat pumps and other beneficial electrification
  - \$2m for load management and storage
  - \$15m for hazard mitigation buyouts (+\$10m in one-time GF for FEMA match)
  - \$7.5m in working and natural lands resilience efforts
    - Includes \$1m for FPR's Urban and Community Forestry program for tree planting

*\*\* largely outside of ANR's budget*

# Infrastructure Investment Jobs Act (IIJA) - Background

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- Nationally, IIJA will provide \$1.2 trillion for variety of infrastructure initiatives
  - \$650 billion for the continuation of existing, major federal infrastructure programs
  - \$550 billion for new programs
- More than \$2 billion will come to Vermont, predominantly to:
  - Clean Water and Drinking Water State Revolving Loan Funds (SRFs) - \$350 million
  - Transportation (replaces expired federal FAST Act funding) - \$1.7 billion

# IJJA Water Infrastructure Investments – Annual Allocations

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- Money will be received by Vermont over five years
  - Likely consistent with customary EPA award cycle, meaning funds would arrive annually in July or August
- About half of the funding is “normal” water infrastructure money that will flow into the State Revolving Loan Fund (SRF) programs. Estimating:
  - \$9.5m CWSRF this year, increasing to \$13m by 2026.
  - \$19m DWSRF this year, increasing to \$26m by 2026
- State match needed to draw down these annual allocations increases over time
  - 10% match for first two years; increases to 20% in years 3-5
    - Additional match needed: \$2.7m in FFY22, \$3.3m in FFY23; \$7.2m in FFY24; and \$7.8m in FFY25 and 26
  - Vermont has traditionally relied on the Capital Bill to provide SRF match



# IIJA Water Infrastructure Investments – Annual Allocations

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- IIJA funds can be provided with up to 49% subsidy
  - Will need to follow EPA guidance (expected within next 6-8 weeks)
- Restructuring of prior debt incurred for eligible projects is likely to be an eligible activity under IIJA
  - Particularly important for smaller systems with ratepayer affordability concerns
  - With \$2B in need, will have to be carefully balanced against demand for funding for new projects
- In early 2021, President Biden established the Justice40 Initiative via EO
  - Justice40 is a whole-of-government effort to deliver at least 40% of the overall benefits from Federal infrastructure investments to disadvantaged communities
  - Anticipate that EPA guidance will direct 40% of IIJA SRF allocations to disadvantaged communities

# IIJA Water Infrastructure Investments – Supplemental Allocations

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- Nationally, \$15 billion for lead service line replacement projects; estimate Vermont will receive:
  - \$30m/yr for 5 years
  - No state match requirement, 49% subsidy on lead projects
- Nationally, \$10 billion for emerging contaminants (EC)
  - Funding anticipated to prioritize work related to PFAS
  - Estimate Vermont will receive:
    - \$500k CWSRF this year, increasing to \$1.125m by 2026
    - \$8m/yr DWSRF for 5 years
    - No state match requirement, 100% subsidy on all EC funds
  - For this 5-year period, more federal money will be available for EC and lead service line replacement than other system needs combined!
  - Funding is available “until expended”

# IIJA Water Infrastructure Investments – Supplemental Allocations

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- Lake Champlain
  - \$8m/yr for 5 years for water quality projects
    - In addition to on-going annual appropriation thru EPA/Lake Champlain Basin Program to support TMDL implementation (~\$6m per year)
  - These funds may also support projects in New York

# IIJA Environmental Remediation Investments

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- IIJA includes \$21 billion for “environmental remediation”
  - Hazardous Substance Superfund Remediation
    - Provides \$3.5 billion annually to the Superfund remedial account
    - Waives the state cost-share requirements
    - 12 Superfund sites currently on the National Priorities List (NPL) in Vermont
  - Competitive Brownfields Grants
    - Provides \$1.2 billion annually to the EPA's Brownfields program
    - There are more than 5,000 large and small brownfield properties in Vermont; at least one in almost every community
- Vermont has an estimated \$355 million in site clean-up and remediation needs

# IIJA Climate Action Investments

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- Efficiency and building infrastructure
  - Authorizes numerous program to encourage and fund energy efficiency upgrades to buildings
    - Includes \$3.5 billion for the existing Weatherization Assistance Program
- Infrastructure resiliency
  - \$3.5 billion for FEMA Flood Mitigation Assistance Program
  - \$500 million to help states establish revolving loan funds to support projects that reduce natural disaster risk
  - \$2.5 billion to Army Corps of Engineers for “for construction, replacement, rehabilitation, and expansion of inland waterways projects in the Corps Capital Investment Strategy”
    - Waterbury Dam?

# ARPA and IIJA Challenges

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- ARPA and IIJA funds are not mix-and-match
  - Although many unknowns and important details still need to be worked out, distributing funds thru the SRF limits how much will be grants vs. loans
    - Vermont's smallest systems are often challenged to take on additional debt due to limited user base
- Capacity of state, regional and local staff is finite, as is engineering/contractor capacity
- IIJA expands domestic preference procurement requirements for construction materials and manufactured products