

Water Caucus Proposal for Clean Water Infrastructure Funding in the FY23 Budget

Communities around Vermont need significant upgrades to their water infrastructure to provide safe drinking water, improve wastewater systems, and make our municipalities climate resilient. The Department of Environmental Conservation (DEC) estimates **that the total need for water infrastructure is at least \$2.004 billion over the next ten years.**¹

The following proposal identifies clean water investment needs that also provide strong co-benefits ranging from improved climate resilience to habitat protection to encouraging development of affordable housing. These proposed investments will not only improve water quality and support other state priorities, but by investing in capacity, we can also be better prepared to take advantage of future federal funding opportunities.

There are multiple sources of funding available to the state that could be allocated to improve water infrastructure. In addition to General Fund investments, in the FY22 Budget, the Vermont Legislature expressed the intent to spend \$225 million on clean water infrastructure and \$250 million on climate mitigation in American Rescue Plan Act (ARPA) funds. Of these, \$105 million in water infrastructure funding and \$195.5 million in climate funding remains unallocated. These funds will take important initial steps to meeting the \$2-billion+ backlog of needs across clean water projects and programs.

Increase Capacity of State Government and Partners to Implement Clean Water Projects

Allocate funding for public and private capacity building to ensure these clean water programs and projects can be completed within the allotted time frames. This capacity includes state and municipal staffing and administrative support, as well as non-profit and private expansion.

Proposed initial funding includes:

- Invest in State Agencies' capacity to assist with permitting, grant approval, and technical assistance:
 - DEC Water Investment Division (Planning and Grants) – 6 FTEs
 - DEC Lake & Ponds Division (Technical Assistance) – 2 FTEs
 - DEC Rivers Program (Permitting) – 2 FTEs
 - DEC Stormwater (Permitting) – 2 FTEs
 - DEC Wetlands Program (Permitting) – 4 FTEs
 - Dept of Fish & Wildlife (Technical Assistance) – 2 FTEs
- Invest in Municipal Assistance – \$2 million to Regional Planning Commissions over 3 years to assist municipalities with administrative and implementation capacity of village and community drinking water and wastewater systems.

¹ Excerpted from testimony by Peter Walke, Commissioner of DEC, before the Senate Natural Resources and Energy Committee in 2021, chart titled *Water Infrastructure Universe of Need*.

- Invest in Non-Profit Organizations to assist with administration of climate resiliency and clean water programs.
 - \$2 million over three years for ‘capacity grants’ for employee assistance to non-profit organizations with an annual administrative budget of less than \$250,000.
 - \$1 million over three years to Watersheds United Vermont for assistance with capacity building for watershed organizations.

Invest carryover ARPA funds to help meet municipal road and stormwater requirements

- We propose an initial investment of at least **\$15 million each in FY23 and FY24 to help meet municipal road and stormwater regulatory requirements** - including offering a 1:1 match requirement by the municipality with its own ARPA funds. The state could use carryforward funds from the \$30 million total allotted to DEC in the FY22 State Budget but not currently assigned to specific programs.
 - This will encourage municipalities to spend their ARPA funds on Act 64 clean water regulatory requirements, many of which are coming due in the next few years.
 - We encourage the program to be implemented in a way that supports towns of all sizes and provides for geographical diversity.
 - We also recommend setting aside a specific amount of the allotted \$15 million annually to assist towns with technical costs, such as engineering design and education. This could be similar to the program in the FY22 Budget in which RPCs can assist towns with energy efficiency projects.

Upgrade and Modernize Water Infrastructure

Program: Combined Sewer Overflow (CSO) Abatement

Proposed Initial Funding: \$50 million

Overall Financial Need²: at least \$90 million

Program Description and Co-Benefits:

- In the FY22 State Budget, \$10 million in ARPA funds was allocated to DEC for eleven CSO projects including in Burlington, Rutland, Montpelier, St. Johnsbury, and Vergennes.
- Municipal sewer systems are designed to also capture stormwater runoff, causing overflows during heavy rain events. This overflow results in a discharge of sewage, including nutrient and bacteria, into rivers and lakes, harming human health, degrading water quality and habitat, and fouling recreation sites. Upgrading these systems will also reduce impacts of climate change-induced heavy rain events.

² *Id.*

Program: Mobile Home Park Drinking and Wastewater Upgrades
Proposed Initial Funding: \$20 million
Overall Financial Need: at least \$50 million

Program Description and Co-Benefits:

- Upgrade private drinking and wastewater systems in underserved communities, many of whom cannot afford upgrades without assistance.
- These upgrades will provide safe drinking water while protecting water quality and aquatic habitat from untreated wastewater flows.

Program: Village Drinking Water and Wastewater Systems
Proposed Initial Funding: \$25 million
Overall Financial Need: at least \$100 million

Program Description and Co-Benefits:

- Upgrade village water systems to accommodate and encourage in-fill development, particularly to help address the housing crisis, including both larger towns with wastewater systems that require NPDES discharge permits and smaller towns with decentralized wastewater systems.
- These upgrades will protect water quality, human health, and aquatic habitat while providing opportunities to build affordable housing and other in-town development, which in turn has the co-benefit of sprawl reduction and protection of river corridors and forest habitat.
- Funding should be coupled with requirements to encourage in-fill development.

Investments to Improve Climate Resilience

Program: Flood Hazard Mitigation – Land Acquisition
Proposed Initial Funding: \$15 million
Overall Financial Need: unknown

Program Description and Co-Benefits:

- Allocate funds to Vermont Emergency Management to partner with land conservation organizations, such as The Nature Conservancy, the Trust for Public Land, and Vermont Land Trust, to purchase flood-prone lands from willing private sellers, prioritizing marginally productive agricultural lands.
- Taking flood-prone lands out of development will mitigate flood hazards for lands adjacent to rivers and Lake Champlain and will also provide an additional water quality benefit by reducing the risk of runoff and erosion.

Program: Flood Hazard Mitigation – Dam Removal & Culvert Replacement
Proposed Initial Funding: \$10 million
Overall Financial Need: unknown

Program Description and Co-Benefits:

- Dam removal and culvert replacement improves climate resilience by mitigating flooding from heavy precipitation events, protecting human health and personal and public property while improving water quality and habitat.