October 30, 2020

Vermont Clean Water Board
c/o Emily Bird, Program Manager
Clean Water Initiative Program
Vermont Department of Environmental Conservation
Water Investment Division
Davis Building - 3rd Floor
One National Life Drive
Montpelier, VT 05620-3510
ANR.CleanWaterVT@vermont.gov

Re: **State Fiscal Year 2022 Draft Clean Water Budget**

Dear Ms. Bird:

Conservation Law Foundation, Connecticut River Conservancy, Audubon Vermont, Vermont Natural Resources Council, Lake Champlain Committee, Vermont Conservation Voters, and The Nature Conservancy in Vermont submit the following comments regarding the Agency of Natural Resources' Clean Water Budget for the 2022 fiscal year. This budget fails to allocate enough funding to natural resource restoration and conservation to rise up to the challenge – and the opportunity – of this moment in history, coming up short of providing sufficient dollars to meet required water quality targets for Lake Champlain, Lake Memphremagog, the Connecticut River, and other watersheds.

Specifically, our concerns are (1) this budget is generally too low to achieve mandated clean water restoration goals; (2) in recognition of their cost-effectiveness and multiple co-benefits, funding for natural resource restoration and conservation projects should be kept level or increased; and 3) more clarity should be provided in the draft budget so that the public can determine how tax dollars will be spent.

Investing in clean water isn't just good business, it's required by law. Vermont is almost a quarter of the way into its 20-year plan to bring Lake Champlain's pollution under control. Yet the state is only 8% of the way towards reaching phosphorus reduction goals basin-wide.[1]

As we grapple with how to overcome the greatest economic downturn in most Americans' lifetimes, clean water investment can help drive our economic recovery. While it will take a suite of strategies to recover from this unprecedented crisis, increasing investments in clean water and climate resilience should be high on the list.

Clean water is priceless

The 2017 Clean Water Report by the Vermont Office of the State Treasurer shines light on the exceptional value of clean water to Vermont's economic wellbeing:

> "Over $2.5 billion is spent annually in the State of Vermont by visitors and vacation homeowners in tourism, much of that linked to the lakes and rivers throughout the state. Per a University of Vermont (UVM) study, visitor spending contributed $318 million in tax and fee revenues in 2013 and supported an estimated 30,000 jobs for Vermonters.[2] That $318 million contributed $115 million to the general fund, $188 million to the education fund and $15 million to the transportation fund. Data from several communities demonstrate the positive impact our natural resources have on Vermont's appeal and on the lives of its citizens. Our lakes and rivers are part of the state's assets. Not only must these assets be protected, but clean water should also be viewed as an investment in a healthier, more prosperous state for all Vermonters."[3]

Investment in clean water and climate resilience can help create new jobs and put our economy back on track while protecting our natural environment. Nationwide, the restoration economy annually generates around 221,000 jobs, $6.27 billion in labor income, and $24.86 billion in economic output.[4] Project planning, engineering, earthmoving, construction, forestry, and landscaping are among the many trades that stand to benefit from a focused effort on cleaning up our waters. And additional jobs for young adults and others in tree planting and other activities can be created through natural resources restoration projects that have important water quality benefits. Clean water investment in this time of economic downturn is a win for both our economy and environment in the short and long term.

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[1] "Vermont Clean Water Initiative 2019 Performance Report" (Vermont Agency of Administration, Jan 2020)

[2] Jones, Kenneth – Vermont Agency of Commerce and Community Development, "Benchmark Study of the Impact of Visitor Spending on the Vermont Economy: 2013: Tourism is Vital to Vermont."; Vermont Department of Tourism & Marketing, "The Vermont Travel & Tourism Industry – 2013"

[3] "Clean Water Report Required By Act 64 of 2015," (Vermont Office of the State Treasurer, 2017)

[4] "The Economic Impacts of the US Ecological Restoration Sector" (Federal Reserve Bank of Boston, 2016).

Grow the clean water pie; don't settle for smaller slices

We recognize that the State of Vermont faces revenue challenges due to the impacts of the ongoing pandemic. However, inadequate support for our clean water goals will only delay Vermont's ability to recover economically per the comments in the 2017 Clean Water Report issue by the Treasurer. Moreover, years of inadequate funding and staffing for clean water has compounded the fiscal impact of the Coronavirus. It is time to reverse this trend as Vermont works to address the impacts of the pandemic.

The State Legislature in enacting Act 76 tasked the Clean Water Board to recommend new funding sources in order to expand the projects and programs needed to meet our TMDL targets. ANR has projected the state funding need for the CWF at approximately $27 million annually by FY24, and total need (state and federal sources) between $50 to $60 million. This projection is mirrored in Act 76. Even pre-COVID, the Clean Water Fund was projected to be about $19 million in state funds annually, so approximately $8 million short of the annual need.

> 10 VSA 1387(a)(3) To ensure success in implementing the Clean Water Initiative, the State should commit to funding the Clean Water Initiative in a manner that ensures the maintenance of effort and that provides an annual appropriation for clean water programs in a range of $50 million to $60 million as adjusted for inflation over the duration of the Initiative.[5]

Under Act 76, the Clean Water Board is required to suggest revenue sources if the Fund will not adequately achieve the state's pollution reduction goal. As this shortfall is already known, the Board should start a discussion on new revenue sources now. Pursuant to Act 76, if revenue shortfalls exist the Clean Water Board shall take the following steps:

> (C) if the Board determines that there are insufficient funds in the Clean Water Fund to issue all grants or financing required by sections 925-928 of this title, conduct all of the following:
> (i) Direct the Secretary of Natural Resources to prioritize the work needed in every basin, adjust pollution allocations assigned to clean water service providers, and issue grants based on available funding.
> (ii) Make recommendations to the Governor and General Assembly on additional revenue to address unmet needs.
> (iii) Notify the Secretary of Natural Resources that there are insufficient funds in the Fund. The Secretary of Natural Resources shall consider additional regulatory controls to address water quality improvements that could not be funded.[6]

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[5] Vermont Act 76 (2019)
[6] Ibid.

While (C)(i) is being addressed through the Clean Water Service Provider program and with (C)(iii) the Secretary is aware of the funding shortfall, it is appropriate for the Clean Water Board to begin consideration of additional funding sources to recommend to the State Legislature.

Vermonters do not need to settle for a false choice between allocating scarce funds to stormwater management on developed lands vs conserving important headwater forests and riparian wetlands. Our investments should be commensurate with the value of clean water. Current and future generations of Vermonters deserve higher levels of investment across the board.

The Importance of Natural Solutions

It is well established that the conservation and restoration of natural resources is a cost effective means to reduce pollution and meet the requirements of the Lake Champlain and Lake Memphremagog TMDLs.[7] The same investments in natural resources will also help Vermont meet the requirements of the Global Warming Solutions Act, as well as other state targets for biodiversity and habitat preservation, such as the Department of Fish and Wildlife's 2015 Wildlife Action Plan and the Agency of Natural Resources' 2018 "Vermont Conservation Design."

Healthy forests, wetlands, and floodplains filter water pollution, store carbon, provide critical habitat to fish and wildlife, and reduce risk to communities on the frontlines of climate change and endangered by the ravages of natural disasters[8] – like Tropical Storm Irene – that are certain to return.

It is estimated that the Champlain Basin has lost half of its wetlands since European settlement. Wetlands comprise just 4% of Vermont's land area, yet they play an outsized role in protecting communities from flooding, supporting biodiversity, and removing excess nutrients.

Restoring wetlands in the Vermont portion of the Lake Champlain Basin could achieve 15% of the pollution reduction goals required for the lake by the EPA, according to a study by the Gund Institute at the University of Vermont and The Nature Conservancy.[9] Wetlands offer critical habitat for 35% of Vermont's threatened and endangered plant species and 21% of imperiled animals.[10]

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[7] "Vermont's Return on Investment in Land Conservation" (Trust for Public Land and Vermont Forest Partnership, 2018).

[8] Keri B. Watson et al., "Quantifying Flood Mitigation Services: The Economic Value of Otter Creek Wetlands and Floodplains to Middlebury, VT," *Ecological Economics* 130 (2016): 16-24.

[9] N. Singh, J. Gourevitch et al., Optimizing wetland restoration to improve water quality at a regional scale, Environmental Research Letters (2019); Restore Wetlands to Cut Flood Costs, Phosphorus Pollution: TNC-Gund Study (2019).

[10] E. Thompson, E. Sorenson, and R. Zaino, *Wetland, Woodland, Wildland: A Guide to the Natural Communities of Vermont* (2d ed., 2019)

A UVM study of the buffering effect that wetlands had during Tropical Storm Irene found that the wetlands reduced the maximum height of floodwaters in Middlebury, VT by 6-10 feet, saving 20-50 structures from flooding, estimated at $500,000 to $1,800,000 in damages averted.[11] The researchers estimated that the annual savings to Middlebury (from less catastrophic flooding events) was $125,000 to $450,000 per year.[12]

A recent study by The Trust For Public Land found that Vermont's wetlands provide an estimated $590 per acre annually in natural goods and services (particularly flood protection and wildlife habitat), more than three times as much as the next highest land cover type, deciduous forests.[13] These benefits will only grow in importance with the escalating impacts of climate change.

Specific Budget Concerns

Despite compelling reasons to maintain or increase funding for natural resource conservation and restoration, this category of project investment will suffer the most from proposed cuts in the Draft FY22 budget. Instead of level or increased investment in natural resource projects, the draft budget appears to shift dollars to projects addressing water pollution on developed lands that are already required by law.

The three-acre permit is a critical strategy to reduce phosphorous pollution in Lake Champlain.[14] However, the current Clean Water Budget is not transparent as to how dollars will be allocated to entities that are legally required to comply with the three-acre permit.

In reviewing the proposed budget, line items 5 and 7 represent an $835,000 cut to natural resource restoration and conservation. Of particular note is the 35% reduction in funding for the Vermont Housing and Conservation Board, which grants funds for natural resource conservation and restoration projects throughout the state. Meanwhile, the budget for Line 13, "Stormwater Project Delivery, Planning, and Implementation," has increased by over $600,000.

We must implement all of the clean water strategies identified in the State's clean up plan for Lake Champlain, including cleaning up stormwater runoff from developed lands and protecting water quality by restoring forests and wetlands. We recognize that the state faces revenue challenges due to the pandemic, but cutting funds for clean water projects that can help accelerate our economic recovery is not the solution. The State should be focused on increasing the size of the overall budget through strategic investments in clean water, rather than redistributing precious-few dollars between an increasingly large number of projects.

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[11] Quantifying flood mitigation services: The economic value of Otter Creek wetlands and floodplains to Middlebury, VT, K. Watson, T. Ricketts, et al., Ecological Economics, October 2016.

[12] Id.

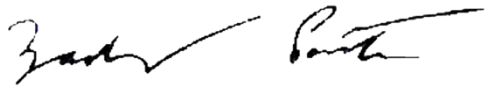
[13] Vermont's return on investment in land conservation (Trust for Public Land, 2018), p. 48.

[14] 2018 State of the Lake and Ecosystem Indicators Report," Lake Champlain Basin Program.

Conclusion
Clean water investment is a short-term economic stimulus opportunity with multiple long-term benefits to the state. We welcome the opportunity to collaborate with ANR and other members of the Clean Water Board to increase revenue for all clean water investment.

Thanks for your consideration. We invite you to get in touch directly to discuss these matters further.

Sincerely,



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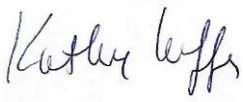

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