



**Governor Philip B. Scott
FY23 Proposed ARPA Budget
January 18, 2022**

Introduction

With the passage of the American Rescue Plan Act (ARPA) in 2021, Vermont received \$2.7 billion dollars of aid, offering the state an unprecedented opportunity to strengthen our economy and communities through significant investments in one-time dollars. More than half of these dollars were directly appropriated to federal agencies, individuals, local governments, education institutions, and others, leaving approximately \$1 billion for the state to expend over the next four years.

Last year, nearly half of the ARPA funds were appropriated to help Vermont respond, recover, and rebuild from COVID-19. The state provided aid for struggling businesses, supported capital investment projects; invested funds for weatherization, electrification, and resiliency; supported clean water and drinking water by funding stormwater retrofits, wastewater facilities, and water systems for vulnerable Vermonters; provided housing for the homeless and started efforts to build middle-income housing; and made the largest investment the state has ever seen for broadband deployment.

Similar to last year's proposal, the Governor's ARPA Budget is focused on timely and transparent investments in key infrastructure needs – projects that result in tangible, transformative results in communities that need them most. The explicit objective of this plan is to provide long term recovery opportunities to communities statewide, with a focus on the communities with the most job losses and declines in demographics and income levels.

Vermont's municipalities need help to stabilize or expand their tax bases and economic foundations. With continued investments in water and sewer infrastructure, broadband, climate change mitigation, housing and further economic aid, communities in all 14 counties can expand their workforce and economic activity, and the state will be cleaner, more affordable, and competitive for years to come.

Governor Scott's FY23 Recommended ARPA Budget

Amounts depicted below are in millions

Economic Development	FY'22 BAA	FY'23	Total
Grand List Enhancement Program		30	30
Capital Investment Grant Program		50	50
Business Assistance		20	20
Expedited Permitting for ARPA projects		1.05	1.05
Total		101.05	101.05

Climate Change Mitigation	FY'22 BAA	FY'23	Total
EV Infrastructure		15	15
Weatherization		80	80
Transportation Electrification Incentives		22	22
Electrical Service Upgrade		20	20
Load Management & Storage		2	2
Hazard Mitigation Buy-Out		15	15
Working Lands Resilience		7.5	7.5
Total		161.5	161.5

Water/Sewer Infrastructure	FY'22 BAA	FY'23	Total
Stormwater Retrofits		32	32
Village Water/Wastewater/Pretreatment		20	20
CSO Abatement/Elimination		10	10
Healthy Homes		10	10
Total		72	72

Housing	FY'22 BAA	FY'23	Total
Affordable/Mixed-Income Housing	50	55	105
VHIP	20	5	25
Missing Middle Homeownership Development	5	10	15
Total	75	70	145

Connectivity	FY'22 BAA	FY'23	Total
Broadband Deployment		95	95
Total		95	95

	FY'22 BAA	FY'23	Total
Administrative Costs		10.5	10.5

	FY'22 BAA	FY'23	Total
Grand Total (Million)	75	510.05	585.05

I. Economic Development

Total Amount: \$101,050,000

Grand List Enhancement Program

\$30M

Communities that have seen a decline in their grand list value, or have remained stagnant, over the last 10 years remain vulnerable and disadvantaged, and individual taxpayers are bearing the burden of the declining Grand List as their taxes must compensate for the declining values. When the Grand List starts to grow, the upward pressure on taxpayers is relieved. This program will facilitate development and redevelopment of commercial, or multi-unit residential sites in disadvantaged communities and promote business and job growth in these areas which are necessary to increase grand list values. Funding would be made available to developers, property owners and non-profits who are redeveloping properties within these disadvantaged communities. It will be useful for towns from Poultney to Brighton to Springfield to encourage investment to help them emerge stronger from this pandemic than they were before.

Capital Investment Program

\$50M

Continued support for the Capital Improvement Program will provide long-term economic recovery opportunities to communities statewide, with a focus on those with the greatest demographic declines over the last 20 years. Funding will be made available for transformational projects that will provide each region of the state with the opportunity to attract and retain businesses, create jobs, and invest in their communities by encouraging capital investments and economic growth. The Agency of Commerce and Community Development is seeking to expand eligibility so the program will match the final ARPA rule. For example, remediation of contaminated properties to make way for affordable housing will be an eligible and much needed use of funding. Agricultural and Food and Beverage Manufacturing, Arts and Culture, Child Care, and Hospitality sectors have been the most active applicants during the first round of grants and are expected to continue to apply as their projects have either been delayed, or are now more expensive, and continue to have gaps in funding.

Business Assistance Program

\$20M

Many businesses and non-profits in a variety of sectors depend on congregate settings to sustain their business model. Due to COVID-19 those organizations have suffered over the last two years and continue to suffer from the ongoing pandemic. This funding will be used to create a short-term forgivable loan program for working capital and operational needs of businesses. Loans will be forgiven after one year when borrower proves the loan was used to pay operational expenses. This will be Vermont's version of the SBA's PPP. This program will be particularly useful for sectors short on working capital due to the pandemic such as hospitality, agriculture, and arts and culture.

Expedited Permitting for ARPA Projects

\$1.05M

For significant investments and projects to be executed within the Federal timelines, we are proposing to expedite permitting for ARPA funded projects in three ways:

1. All ARPA projects will be prioritized in the permitting process.
2. All ARPA projects will be subject to shorter decision times.
3. Three limited service positions will be added to the Natural Resources Board to ensure ARPA projects are prioritized, and all other projects continue to move forward.

II. Climate Change

Total Amount: \$161,500,000

Significant investments are needed to reduce Vermont's greenhouse gas emissions and enhance our resilience to a changing climate. This proposal invests in policies that seek to balance the unprecedented investment opportunity provided by ARPA and the need to continue to make progress toward the aggressive requirements established in the Global Warming Solutions Act.

Electric Vehicle (EV) Infrastructure

\$15M

Continuing to build charging infrastructure throughout Vermont is foundational to supporting EV adoption and growth. Currently there are 292 public charging stations in Vermont. This funding would be used to deploy charging stations in strategic locations across the state at a higher rate.

- **EV Charging Infrastructure – Highway Network:** Supports the continued build-out of public charging infrastructure by providing **\$2 million** for highway networks to build upon the existing State and VW funding of public charging stations. (Additionally, AOT will receive \$21,200,000 in Federal Highway funding (from IIJA) over the next five years for highway network EV infrastructure)
- **EV Charging Infrastructure:** Supports the continued buildout of public charging infrastructure by providing **\$10 million** for Level I & II charging for multi-family dwellings, workplaces, and community attractions to build upon the existing State and VW funding of public charging stations. Additionally, provides **\$3 million** to install Level II charging at State Parks and FWD Fishing Access Areas paring charging facilities with new solar arrays to the maximum extent practicable.

Weatherization

\$80M

Emissions associated with building heating and cooling account for more than one-third of Vermont's overall GHG emissions and weatherization will continue to be a cornerstone of Vermont's climate action work. This funding will be used to dramatically expand weatherization of low- and moderate-income homes. (In addition to these funds, \$44 million is presented in the Governor's ARPA Capital Projects Fund for Community Resiliency Projects, which includes major investments in weatherization)

- **Low-income Weatherization Assistance:** Through the Home Weatherization Assistance Program -- administered by DCF's Office of Economic Opportunity and delivered through Weatherization Assistance Providers -- Vermont homeowners and tenants with low incomes will be eligible for no-cost, comprehensive home weatherization services. When appropriate, the Program will also install heat pumps and upgrade wood stoves. Additionally, weatherization of buildings with five or more units will be delivered through 3E Thermal. In addition, the Home Weatherization Assistance Program will continue to leverage funding available through LIHEAP, U.S. Department of Energy (DOE), and Fuel Tax revenue, as well as an expected \$15 million boost in DOE funds through. (**\$45 million**)
- **Moderate-income Weatherization Assistance:** Vermonters with a moderate income will be eligible to receive incentives through Efficiency Vermont and its network of contractors to support the cost of making home weatherization investments. Coordination with Vermont Housing Finance Agency will help leverage this funding further. (**\$35 million**)

Transportation Electrification Incentives

\$22M

The transportation sector is the largest source of climate pollution – equating to 40% of the state’s greenhouse gas emissions. As well, Vermonters collectively spend over \$1 billion on fossil fuels for transportation and approximately 70% of those dollars leave the state’s economy every year. In contrast, over 50% of every dollar spent on electricity stays here. Moving to more efficient, electric vehicles will keep more money in the state’s economy and in Vermonters’ pockets. (In addition to these funds, AOT will receive \$32.8 million from IJJA for a new federal Carbon Reduction Program to help the agency transition their assets to cleaner alternatives)

- **EV Incentives:** Vermonters would be eligible for an incentivize up to \$4,000 for a plug-in electric vehicle sold/leased as new with a base manufacturer’s suggested retail price (MSRP) of up to \$45,000. Funding continues and expands the public-private partnership with *Drive Electric Vermont*, to provide technical assistance and EV promotional efforts in support of the expansion of the EV market in Vermont, as well as securing administrative services for the EV Incentive programs. **(\$14 million)**
- **Mileage Smart Incentives:** Vermonters would be eligible for an incentivize up to \$5,000 for highly efficient used vehicles including hybrids and plug in electric vehicles. **(\$3 million)**
- **VT Replace Your Ride Program:** In exchange for scraping a registered and inspected older high-polluting vehicles, eligible Vermonters would receive an incentive of up to \$3,000 towards one or more of the following clean-transportation options: a new or used Electric Vehicle (or Plug-in Hybrid); electric Bicycle or Motorcycle; vouchers for public transit, shared-mobility options, or private ride hailing (options could include public transit passes, membership in CarShare VT or bike-share programs, vouchers for options like Lyft/Uber or other new mobility programs) **(\$3 million)**
- **eRecreation:** Provides **\$1 million** for continuation of incentives for eBikes and provides new funding of **\$1 million** for electric snowmobiles, and EV ATVs, in support of “greening” Vermont’s recreation economy. **(\$2 million)**

Electric Service Upgrades

\$20M

Basic levels of electric service, internal wiring, and modern service panels for homes are essential for enabling fuel switching to electric technologies such as heat pumps and electric vehicles. This proposal will provide financial and technical assistance for income sensitive Vermonters to upgrade their basic level of electric service, internal wiring, and service panels.

Load Management and Storage

\$2M

Load management is a key strategy for optimizing our utilization of the clean energy derived from existing renewable assets. With this funding, income sensitive customers will be able to access incentives and incentive rates to purchase electric equipment for heating, cooling, and transportation. Focus will be placed on areas of the state where solar and other renewables have saturated the available headroom on the electric infrastructure, and where additional renewable development is constrained without expensive upgrades. In addition, investments will be made in load control and management platforms to enable smaller municipal and cooperative utilities to capture and share benefits of load management, and it will support municipal back-up electricity storage installations. (In addition to these funds, the Department of Public Service will be receiving money from IJJA which earmarks \$2.5B to go to states)

Hazard Mitigation Buy-Out

\$15M

Although it is important for Vermont to take the steps necessary to reduce its greenhouse gas emissions, the most impactful near-term actions that Vermont can take in response to a changing climate are investments in mitigating flood hazards and improve overall landscape resilience. Funding will be used to support an ongoing State-level hazard mitigation program to undertake floodplain restoration projects including property buyouts within flood-vulnerable river corridors; and buyouts of vacant, flood-risk parcels. This program will benefit Vermont communities with community-wide flood reduction projects, as well as individual property owners currently at significant risk from flooding. Specifically, this funding will make individual property owners whole by allowing for 100% funding of property buyouts and more equitable payment structures based on housing needs for low-income Vermonters. Additionally, the Governor's budget establishes and capitalizes a special fund account with \$10 million of one-time General Funds to be utilized in providing the required 25% non-federal match for projects that are eligible under FEMA's HMA grant programs.

Working Lands Resilience

\$7.5M

Investments in Vermont's natural and working lands and waters can achieve long-term sequestration and storage of carbon and are essential components in our climate change mitigation and resilience work.

- **Agronomic Practices**: Expand and leverage existing State of Vermont funding for agronomic practice programs – such as cover cropping, conservation tillage – administered by the Agency of Agriculture, Food and Markets. These programs mitigate climate change by improving soil health and preventing emissions by conserving existing carbon pools in soils and vegetation, and are also supportive of state clean water goals. **(\$5 million)**
- **Vermonters Feeding Vermonters**: Continue and expand this successful initiative that dually supports farm viability and low-income Vermonters access to healthy local food. During the harvest season, farmers provide regular deliveries to the Foodbank. The Foodbank then distributes the food to people facing hunger through their network, providing fresh food distributions in local communities throughout the state. **(\$1.5 million)**
- **Urban Tree Planting**: Expand funding for urban tree planting efforts, to be administered by the Urban and Community Forestry Program in the Department of Forests, Parks & Recreation. Strategically placed trees can improve air quality and reduce heat island effects in urban areas. This funding will support planting up to 5,000 trees by the end of calendar year 2024, including both larger shade trees for municipal and school properties, and smaller trees for private property. **(\$1 million)**

III. Water/Sewer Infrastructure

Total Amount: \$72,000,000

From sufficient clean water and wastewater treatment capacity to support businesses and industry, to the proper drainage of roads and parking lots on rainy days, water infrastructure touches every facet. This infrastructure is critical to both protecting the environment and spurring economic growth. Through a combination of technical assistance, grant awards and contracted projects, these initiatives support strategic investments in infrastructure assets essential to high quality waters, and vital to Vermont's economy and economic recovery.

Implementation of Stormwater Retrofit Projects

\$32M

In response to the federal Clean Water Act and Vermont's Clean Water Act (Act 64 (2015)), Vermont has made numerous commitments to improve management of stormwater runoff. Many of the most challenging projects are related to retrofitting existing development that was built before the advent of modern stormwater treatment – projects which are essential to meeting our clean water goals and obligations. Through a combination of grant awards and contracted projects, this funding would provide cost-share to accelerate implementation of the 3-acre stormwater permit, stormwater impaired waters/Flow Restoration Plan implementation and stormwater management for municipal roads and state highways. (In addition to these funds, ANR will receive \$355 million from IJA for clean water and drinking water initiatives to address PFAS and lead in drinking water, and refurbishment and repair of existing water/sewer systems)

Village Water/Wastewater/Pretreatment

\$20M

Villages form the heart of Vermont's rural communities, but more than 150 villages lack community drinking water and/or sewer systems, hampering revitalization. In general, new village wastewater solutions involve in-ground disposal systems (leach fields). Projects can range in size from serving a small number of properties to connecting a whole village. Besides maintaining the value of village properties and providing important public health and water quality benefits, water and wastewater solutions help promote: business expansion; redevelopment of underused and abandoned properties; housing options; and community gathering places. The funds will support engineering design and construction of up to ten community-scale water and/or wastewater projects. Additionally, pretreatment is particularly important for ensuring the proper management of high-strength or toxic waste streams. Examples of such waste streams in Vermont include: landfill leachate; breweries and distilleries process water; dairy processing waste; and slaughterhouses. Adequate pretreatment is often a necessary precursor to expansion for many of these enterprises. This funding will provide cost-share for facilities that need to install or enhance pretreatment processes.

CSO Abatement/Elimination

\$10M

Burlington, Montpelier, Rutland, St Albans, St Johnsbury, and Vergennes are the Vermont municipalities with the highest incidence sewer overflows, which occur during rainfall or snowmelt events when the wastewater system is overwhelmed by stormwater runoff. This funding will be used to implement projects needed to reduce the frequency of sewer overflow events while refurbishing related water infrastructure.

Healthy Homes

\$10M

Low-income Vermonters often lack the resources to make necessary repairs or improvements to their water and wastewater systems. Continued funding for the "healthy homes" initiative would support the following types of projects: Improve water/wastewater systems at coop-owned or non-profit mobile home parks; Replace failed on-site wastewater and water supplies for low-income Vermonters or those unable to access or afford market rate loans; and update leaking service lines, old plumbing, and replace outdated fixtures (sinks, toilets, dishwashers, laundry) with high efficiency devices.

IV. Housing

Total Amount: \$145,000,000

As a result of the pandemic, two thousand Vermont households are still living in motels/homeless shelters and middle-income families have been priced out of homeownership in Vermont. In addition to the investments we made last year, this proposal accelerates our commitment to develop mixed-income housing, and create public-private partnerships to enhance homeownership opportunities.

Affordable/Mixed Income Housing

\$105M

Continued funding to provide affordable mixed-income rental housing and homeownership units, manufactured homes, and improved farm worker and refugee housing. (\$50M in BAA, \$55M FY23)

VHIP

\$25M

Continue investing in the successful Vermont Housing Improvement Program (VHIP) helping private owners of vacant rental properties bring units back online providing safe, healthy, affordable housing to low- and moderate-income households. (\$20M in BAA, \$5M FY23)

Missing Middle Homeownership

\$15M

A new program focused on creating “missing middle” housing for moderate-income homebuyers. This pilot program will support homebuilders’ access to up-front construction capital through Vermont banks and credit unions and provide a direct project subsidy for up to 35% of eligible development costs. The program will serve a broad spectrum of affordability, supporting homebuilders to create modest homes for households and ultimately increase homeownership. (\$5M in BAA, \$10M FY23)

V. Connectivity

Total Amount: \$95,000,000

Broadband internet access has proved to be an essential utility service during the COVID-19 Pandemic, as it facilitates remote healthcare, education, and work, as well as citizen participation in civic life and communication with government. To build off the \$150 million investment from last year, the Governor is recommending another \$95 million. In addition to this funding, the Governor is committed to deploying \$100 million from IJA to broadband deployment.

Broadband Deployment

\$95M

Currently, there are approximately 60,000 locations in Vermont without broadband. These locations are defined either as unserved (no broadband service at all) or underserved (service is available at less than 25/3 Mbps. i.e., dial-up or DSL). Of these 60,000 locations, 45,251 do not have plans for any existing carrier to deploy wired service via the FCC’s Rural Digital Opportunity Fund or otherwise. Funds would be allocated to the Vermont Community Broadband Board.

VI. Administration Costs

Total Amount: \$10,500,000

ARPA funding should be retained to support and administer projects, and ensure successful deployment of funds. This will include adding limited-service positions, contracting for programs and services, and retaining Guidehouse for recovery fund consulting.