STATE OF VERMONT  
JOINT FISCAL OFFICE

MEMORANDUM

To: Joint Fiscal Committee Members
From: Nathan Lavery, Fiscal Analyst
Date: March 27, 2013
Subject: Grant Requests

Enclosed please find four (4) items that the Joint Fiscal Office has received from the administration.

**JFO #2616** — $781,226 grant from the U.S. Department of Agriculture to the Vermont Department of Agriculture, Food and Markets. These funds will be used to develop a water quality trading initiative intended to reduce nonpoint source phosphorus pollution loading in Lake Champlain (from the Missisquoi Bay and Otter Creek).
[JFO received 03/22/13]

**JFO #2617** — $75,000 grant from the U.S. Department of Agriculture to the Vermont Department of Agriculture, Food and Markets. These funds will be used to support the State’s efforts to develop an agricultural water quality improvement program through outreach to farmers and nonagricultural stakeholders and the creation of a database designed to track water quality progress.
[JFO received 03/22/13]

**JFO #2618** — $10,000 grant from the National Alcohol Beverage Control Association to the Vermont Department of Liquor Control. These funds will be used to produce and distribute materials to help employers detect fraudulent identifications.
[JFO received 03/27/13]

**JFO #2619** — $219,898 grant from the Northern Border Regional Commission to the Vermont Telecommunications Authority (VTA). These funds will be used to assist the VTA in completing construction of a 13-mile segment of a 178-mile fiber-optic network in the northeastern Vermont.
[JFO received 03/27/13]

Please review the enclosed materials and notify the Joint Fiscal Office (Nathan Lavery at (802) 828-1488; nlavery@leg.state.vt.us) if you have questions or would like an item held for legislative review. Unless we hear from you to the contrary by **April 10** we will assume that you agree to consider as final the Governor’s acceptance of these requests.

VT LEG #289143 v.1
STATE OF VERMONT
FINANCE & MANAGEMENT GRANT REVIEW FORM

Grant Summary: This USDA grant is one of several that Agriculture is receiving to develop a Certainty Program for agricultural water quality improvements. It is for the Lake Champlain Phosphorus Trading Initiative. The project involves two sub-basins of the Lake Champlain watershed (Missisquoi Bay and Otter Creek). It will demonstrate how effective the market oriented nutrient trading approach is there and depending on its success may be used in other areas of the State and Lake Champlain.

Date: 3/15/2013

Department: Agriculture, Food and Markets

Legal Title of Grant: USDA Conservation Innovation Grant

Federal Catalog #: 10,912

Grant/Donor Name and Address: USDA Natural Resources Conservation Service, PO Box 2890, Room 6227-S, Washington, D.C. 20013-2890

Grant Period: From: 10/1/2012 To: 9/30/2014

Grant/Donation 781,226

<table>
<thead>
<tr>
<th>SFY 1</th>
<th>SFY 2</th>
<th>SFY 3</th>
<th>Total</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>$346,638</td>
<td>$363,329</td>
<td>$71,259</td>
<td>$781,226</td>
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</tbody>
</table>

Position Information: # Positions Explanation/Comments 0

Additional Comments:

Department of Finance & Management [Initial] 3/15/13
Secretary of Administration [Initial] 3/15/13
Sent To Joint Fiscal Office 3/20/13 3/30/13 Date
STATE OF VERMONT REQUEST FOR GRANT (*) ACCEPTANCE (Form AA-1)

BASIC GRANT INFORMATION

1. Agency: Agriculture, Food and Markets
2. Department: Agriculture Resource Management

3. Program: The Lake Champlain Phosphorus Trading Initiative

4. Legal Title of Grant: USDA Conservation Innovation Grant
5. Federal Catalog #: 10.912

6. Grant/Donor Name and Address:
   USDA, NRCS, PO Box 2890, Room 6227-S, Washington, D.C. 20013-2890

7. Grant Period: From: 10/1/2012 To: 9/30/2014

8. Purpose of Grant:
   Developing a water quality trading initiative to cost-effectively reduce nonpoint source phosphorus pollution loading into the Vermont side of Lake Champlain Basin.

9. Impact on existing program if grant is not Accepted:
   The components of this grant are going to help target where funding is spent in the future for all agricultural projects. Without this grant the rate of water quality results from implemented conservation practices will be reduced.

10. BUDGET INFORMATION

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th>SFY 1 FY 13</th>
<th>SFY 2 FY 14</th>
<th>SFY 3 FY 15</th>
<th>Comments</th>
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<td><strong>$708,548</strong></td>
<td><strong>$168,839</strong></td>
<td><strong>$1,562,452</strong></td>
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<td>Cash</td>
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<td>In-Kind</td>
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<td>$82,219</td>
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<tr>
<td>(Direct Costs)</td>
<td>$315,125</td>
<td>$331,549</td>
<td>$63,531</td>
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<tr>
<td>(Statewide Indirect)</td>
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<td>(Departmental Indirect)</td>
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<tr>
<td>Grant (source)</td>
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<td></td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$685,065</strong></td>
<td><strong>$708,548</strong></td>
<td><strong>$168,839</strong></td>
<td><strong>$1,562,452</strong></td>
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<table>
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<th>Amount:</th>
<th>$781,226</th>
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</tbody>
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MAR 15 2013
STATE OF VERMONT REQUEST FOR GRANT (*) ACCEPTANCE  (Form AA-1)

Total  $781,226

PERSONAL SERVICE INFORMATION

11. Will monies from this grant be used to fund one or more Personal Service Contracts?  Yes □ No
If “Yes”, appointing authority must initial here to indicate intent to follow current competitive bidding process/policy.

Appointing Authority Name: Jolinda LaClair  Agreed by: [Initial]

12. Limited Service Position Information:  # Positions  Title

<table>
<thead>
<tr>
<th># Positions</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>

Total Positions

12a. Equipment and space for these positions: □ Is presently available. □ Can be obtained with available funds.

13. AUTHORIZATION AGENCY/DEPARTMENT

I/we certify that no funds beyond basic application preparation and filing costs have been expended or committed in anticipation of Joint Fiscal Committee approval of this grant, unless previous notification was made on Form AA-1PN (if applicable):

Signature: [Signature]  Date: 3/14/13
Title: Deputy Secretary

Signature:  Date:
Title:

14. SECRETARY OF ADMINISTRATION

Approved: (Secretary or designee signature)  Date: 3/10/13

15. ACTION BY GOVERNOR

Check One Box:
Accepted □ Rejected □

(Governor’s signature)  Date: 3/19/13

16. DOCUMENTATION REQUIRED

Required GRANT Documentation

☐ Request Memo  ☐ Notice of Donation (if any)
☐ Dept. project approval (if applicable)  ☐ Grant (Project) Timeline (if applicable)
☐ Notice of Award  ☐ Request for Extension (if applicable)
☐ Grant Agreement  ☐ Form AA-1PN attached (if applicable)
☐ Grant Budget

End Form AA-1
(*) The term “grant” refers to any grant, gift, loan, or any sum of money or thing of value to be accepted by any agency, department, commission, board, or other part of state government (see 32 V.S.A. §5).
MEMORANDUM

TO: Secretary Spaulding

FROM: VT Agency of Agriculture, Food & Markets
Secretary Chuck Ross, Jr.

DATE: March 14, 2013

SUBJECT: The Lake Champlain Phosphorus Trading Initiative

This project will establish and implement an innovative, flexible, cost-effective water quality trading initiative to: (a) achieve net reductions in phosphorus loadings into Lake Champlain; (b) involve and improve collaboration among point sources (publicly owned waste water treatment facilities and municipalities) and nonpoint sources (farming sector); (c) identify cost-effective solutions for achieving phosphorus load reductions; (d) improve flood resiliency in the agricultural sector of the state in order to reduce phosphorus loadings from severe flood events; (e) provide incentives to achieve phosphorus reductions from point sources and non-point sources; (f) spur producers to implement Best Management Practices beyond the regulatory requirements by using a nutrient trading model; (g) enhance coordination and oversight among the Vermont Department of Environmental Conservation (DEC), Agency of Agriculture, Food and Markets (AAFM), and the United States Department of Agriculture, Natural Resources Conservation Service (NRCS); (h) achieve other benefits, including enhanced ecosystem function, improved soil management at the farm, and improved economic viability of the farming sector, greater food security; and (i) consider expanding the initiative to other watersheds.

The geographic scope of this project is limited to two sub-basins of the Lake Champlain watershed: the Missisquoi Bay and Otter Creek sub-basins. The effectiveness of nutrient trading in these two sub-basins will allow us to expand the program to the rest of the Lake Champlain watershed and elsewhere.

Fundamentally, this proposed project will demonstrate the extent to which a market-oriented approach will produce cost-effective nutrient load reductions in watersheds dominated by agricultural nonpoint source pollution. The results will inform the project partners on how to achieve similar results throughout the Lake Champlain Basin and statewide.

The project will identify all baseline requirements for all involved parties, which will have the benefit of describing the regulatory component to prevent water quality degradation, provide an opportunity to evaluate these tools for effectiveness, and offer transparency for the public and stakeholder in understanding how a market-based approach will build upon the regulatory programs to achieve expected load reductions. Baseline requirements for agriculture include Accepted Agricultural Practices (AAPs; the base level of water quality management required of all farms), Medium Farm Operations and Large Farm Operations permits, and the Confined Animal Feeding Operation general permit. Baseline requirements in the developed landscape include Municipal Separate Storm Sewer
## VAAFM CIG Application
**Detailed Itemized Budget for Lake Champlain Phosphorus Trading Initiative**

<table>
<thead>
<tr>
<th>Position Number</th>
<th>Position Title</th>
<th>Hrly Rate</th>
<th>Sal Adj 1.03</th>
<th>COLA</th>
<th>Half Step</th>
<th>Two Year Salary</th>
<th>% to Grant</th>
<th>Salary Expense</th>
<th>Fringe Benefits</th>
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<tr>
<td>Deputy Director</td>
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<td>95,760.08</td>
<td>5%</td>
<td>4,888</td>
<td>1,781</td>
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<tr>
<td>Agricultural</td>
<td>Water Quality Specialist</td>
<td>21.77</td>
<td>22.42</td>
<td>1.020</td>
<td>1.015</td>
<td>95,760.08</td>
<td>5%</td>
<td>4,888</td>
<td>1,781</td>
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<tr>
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<td>Secretary</td>
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<td>12,921</td>
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</tbody>
</table>

### Personnel (list above)
(subtotal $239,608)

### Fringe Benefits (based on department average)
(Incl. FICA, retirement, health insurance & workers' comp)
(subtotal $41,884)

### Travel (does not include fuel lease payments; see "Other")
- In-State Travel (site visits, monitoring activities, local meetings)
  (Based on 3,200 vehicle-miles traveled/yr at $0.5/mile rate)
- Out-of-State Travel (NRCS)
  (6,000)
(subtotal $12,200)

### Equipment (items with a unit cost of less than $5,000 are deemed to be supplies.)
- Miscellaneous Office supplies
- Computer/Smart phone - new position
(subtotal $9,000)

### Supplies
- Miscellaneous Office supplies
- Computer/Smart phone - new position
(subtotal $9,000)

### Contractual
- Trading Framework (contract)
- GIS-based CSA Framework (contract)
- VACD (grant)
- Market Feasibility (contract)
(subtotal $593,880)

### Other
- VAAFM Ecosystem Restoration Program
- phones/Internet/misc
- Recruitment & Training
- Meeting support
(subtotal $523,838)

### Indirect Charges (based on % of personnel costs)
(Rate 10.00%
(subtotal $142,042)

### GRAND TOTAL

| Federal Share | 50% | $781,225 |
| Non-Federal Share | 50% | $781,225 |

**Total FTEs --- 1.08**

$1,662,452
MATCH COMMITMENT LETTER

Date: February 27, 2012

Mr. Chuck Ross, Secretary
Agency of Agriculture, Food & Markets
116 State Street
Montpelier, VT 05620

RE: USDA Conservation Innovation Grant (CIG) — VT DEC Match Commitment

Dear Secretary Ross,

Please accept this letter by the Vermont Department of Environmental Conservation (DEC) as a commitment to provide a portion of the required match for your “Lake Champlain Phosphorus Trading Initiative” proposal under the U.S. Department of Agriculture’s Conservation Innovation Grant (CIG). In summary, the phosphorus concentrations in most segments of the Lake continue to exceed the allowed limits described in the State’s water quality standards. This proposal focuses on developing a water quality trading initiative to cost-effectively reduce nonpoint source phosphorus pollution loading into the Vermont side of Lake Champlain Basin.

DEC in support of the overall project goals to establish and implement an innovative, flexible, cost-effective water quality trading initiative is committed to providing the Vermont Agency of Agriculture, Food & Markets (AAFM) match towards this CIG proposal in the amount of $50,000 annually for the two year period of October 1, 2012 to October 1, 2014. It is our intent to provide that total match of $100,000 over the course of those two years using our DEC Ecosystem Restoration Program funds.

Sincerely,

David K. Mears
Commissioner

To preserve, enhance, restore, and conserve Vermont’s natural resources, and protect human health, for the benefit of this and future generations.