

SFY 2027 Water Quality Restoration Formula Grant Target and Fund Allocation Annual Award Justification Memo

Dated: September 3, 2026

The following memo provides proposed SFY27 Water Quality Restoration Formula Grant allocations. Each year, grant amounts are determined by applying the Target and Fund Allocation Methodology (most recently updated and noticed in 2025). The purpose of this memo is to document how the methodology was applied for the SFY27 awards including annual adjustments for inflation and operations and maintenance. Furthermore, DEC is proposing to scale targets in certain basins based on near-term funding needs. While DEC has previously scaled targets in basins with relatively lower targets to match the administrative need in those basins, DEC is posting this approach for Type 3 notice as the approach taken here adds an additional element to our process not previously explained. This memo provides an overview of our framework for making these adjustments, both heretofore and going forward.

Annual Cost Rate adjustment for Inflation

Cost rates are adjusted annually to account for inflation prior to applying the fund allocation methodology. Between January 2025 – January 2026, the US Bureau of Labor Statistics Consumer Price Index for all Urban Consumers (CPI-U) inflation data tracked a 2.4% increase in costs (<https://data.bls.gov/toppicks?survey=bls>). Cost rates published in the December, 2025 Cost Rate Methodology have been adjusted upwards by 2.4% to reflect January 2026 dollars to be applied to the SFY27 fund allocations. This inflation has increased the sector specific cost rates as follows: \$4,170 for farm field practices, \$50,608 for developed lands practices, \$19,351 for forest practices and \$21,974 for stream practices.

Operations and Maintenance

Costs associated with project operation and maintenance (O&M) are anticipated to vary based on project type, site conditions, and other factors that are not directly tied to annual phosphorus reductions. Until more data is available on O&M costs at the project level, VTDEC has applied the following assumptions to inform allocation of funds for O&M activities. For SFY2026 \$210,000 was allocated to O&M activities, which after subtracting administrative costs left \$178,500 to directly support O&M activities. This funding was allocated by providing \$10,000 to each CWSP plus 2.8% of the value of implementation projects funded by the CWSP through the third quarter of SFY 2025. Less than \$40,000 was spent across all CWSPs in the SFY 2026 O&M reporting leaving nearly \$140,000 in funding available so DEC has decided to hold the total O&M funding level consistent for SFY 2027 although there has been a significant increase in implemented projects.

As was done for SFY 2026 each basin was allocated an annual base funding amount of \$10,000 to support O&M functions, including the establishment and expansion of the basins' O&M program. The remaining funds available to award for O&M are distributed by basin proportional to each basin's project implementation awards and documented matching funds through SFY 2026 annual reports. For SFY 2027 the proportion of funds was 1.53% plus the associated administrative costs. These funds are added to the remaining funds from SFY 2026 as shown in Table 1, below.

Table 1. SFY 2026 O&M costs, funding levels and SFY 2027 O&M funding by basin.

Basin	SFY 2026 O&M cost	SFY2026 O&M funding	funding remaining	% of funding used	SFY 2026 project implementation	10k + 1.529% project implementation costs	Remaining SFY 2026 + 2027 O&M funding
2/4	\$5,094	\$23,154	\$18,060	22%	\$934,645	\$24,290	\$42,350
3	\$1,240	\$25,702	\$24,463	5%	\$708,205	\$20,828	\$45,291
5	\$3,716	\$18,461	\$14,745	20%	\$1,214,038	\$28,562	\$43,307
6	\$13,578	\$42,788	\$29,210	32%	\$2,291,998	\$45,043	\$74,253
7	\$1,626	\$13,472	\$11,845	12%	\$327,019	\$15,000	\$26,845
8	\$10,670	\$14,161	\$3,490	75%	\$263,583	\$14,030	\$17,520
17	\$2,850	\$40,762	\$37,912	7%	\$1,356,923	\$30,747	\$68,659
Total	\$38,774	\$178,500	\$139,726	22%	\$7,096,411	\$178,500	\$318,226

It is expected that either with the next CWSP term close out or the next Cost Rate Methodology update that remaining O&M funds will be converted to project funds and associated phosphorus reduction targets as was done as part of the 2025 Cost Rate Methodology.

Award Adjustments Based on Near-Term Funding Needs

DEC is proposing to expand how we scale targets. In addition to previously documented approaches based on scaling: 1) to appropriated funding and 2) to minimal funding levels for smaller basins to meet administrative staffing, DEC is proposing to also scale funding based on the demonstrated need of CWSPs to fund identified projects in their pipeline. For SFY27, DEC is proposing to shift the target and associated funding in the amount of \$400,000 from Basin 6 to Basin 7, as well as the target and associated funding of \$400,000 from Basin 6 to Basin 17.

As non-regulatory projects are opportunistic in nature, a delay in funding raises the risk that a project opportunity may fall through the cracks. When there is sufficient liquidity in the system, but insufficient liquidity in a particular basin (or basins), DEC may consider shifting funding between basins as appropriate. Yet, while DEC is pursuing this approach in SFY 2027, we want to emphasize that this is not a preferred mechanism for a number of reasons. DEC understands that regular dependable formula grant awards better support planning and budgeting, and that the system is operating with limited project tools and capacity support. As such, DEC considers this to be an approach that should ideally be used only sparingly.

At this time, CWSPs have been operating for four years (2022-2026) and two CWSPs, Basin 7 and 17 have identified that they have more projects likely to come in for requests for funding above the project funding they have available if the current scale of funding allocations were maintained among and between the CWSPs. Both Basin 7 and 17 are basins that receive the minimum amount of funding with each year’s appropriation. As a result of the current dynamic, DEC is increasing the target and associated minimum funding level by \$400,000.00 for both Basin 7 and Basin 17 as part of this year’s CWSP allocation taking this funding from Basin 6. This would still leave nearly \$1.58 million dollars in new funding for the Basin 6 CWSP for FY27, still far more than any other award to the CWSPs. This allocation would still provide sufficient liquidity in Basin 6, based on the current projections of their project pipeline.

As administrator of the Formula Grant funding program, DEC has authority to set targets and the associated base fund allocations to CWSPs that correspond to the assigned targets. Both Act 76 (§ 925) and Section 39-302 of the Clean Water Service Provider Rule note that Formula Grants shall be based on the annual target provided to each CWSP.

Link:

https://dec.vermont.gov/sites/dec/files/documents/Ch.%2039%20CWSP%20Rule%20Final_Adopted.pdf.

DEC has previously exercised its authority to scale targets and the associated funding, when we created minimum funding levels for CWSPs to ensure that there was sufficient capacity in each basin to operate the CWSP program. The current dynamic is also a function of system capacity, and DEC is shifting funding to better align with the scale of project funding needed in SFY 2027, to support more efficient use of available funding. Ideally, additional capacity investments will support an increase in the pace of projects in the basins where this is needed, as DEC is interested in growing system capacity as the preferred solution to this scaling imbalance. DEC has already started to evaluate the opportunities to support additional capacity. In the meantime, for FY2027, DEC is adjusting the assigned targets and shifting funding based on identified need, as noted above.

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Table 2. CWSP annual funding level to needed to meet reduction targets with updated sector cost rates based on inflation over the 2025 calender year.

	Agriculture	Developed	Forest	Stream	Total annual cost design/ engineering and construction	10% total annual cost project ID/dev	Total annual cost all project steps (excludes O&M)	15% admin	Total project + 15% admin
Sector cost rate \$/kg/yr	\$4,170	\$50,608	\$19,351	\$21,974					
Basin 2 & 4 - Poultney, Mettawee, South Lake Champlain	\$1,172,152	\$7,276,165	\$8,268,521	\$2,836,514	\$19,553,352	\$2,172,595	\$21,725,947	\$3,833,991	\$25,559,938
Basin 3 - Otter, Lewis, Little Otter	\$1,681,553	\$12,397,400	\$-	\$8,649,735	\$22,728,688	\$2,525,410	\$25,254,097	\$4,456,605	\$29,710,703
Basin 5 - Northern Lake Champlain Direct	\$381,972	\$7,633,348	\$-	\$916,096	\$8,931,416	\$992,380	\$9,923,796	\$1,751,258	\$11,675,054
Basin 6 - Missisquoi, Rock, Pike	\$1,706,712	\$23,408,891	\$16,566,875	\$18,548,528	\$60,231,005	\$6,692,334	\$66,923,339	\$11,810,001	\$78,733,340
Basin 7 - Lamoille	\$259,061	\$10,360,529	\$-	\$1,980,846	\$12,600,436	\$1,400,048	\$14,000,485	\$2,470,674	\$16,471,159
Basin 8 - Winooski	\$484,311	\$15,029,201	\$-	\$10,054,094	\$25,567,606	\$2,840,845	\$28,408,451	\$5,013,256	\$33,421,707
Lake Memphremagog	\$366,856	\$6,027,919	\$-	\$1,504,271	\$7,899,045	\$877,672	\$8,776,717	\$1,548,832	\$10,325,549
Total	\$6,052,616	\$82,133,452	\$24,835,396	\$44,490,084	\$157,511,548	\$17,501,283	\$175,012,832	\$30,884,617	\$205,897,449

Table 3. CWSP annual funding based on \$7,000,000 in funding available (excluding O&M)

	Agriculture	Developed	Forest	Stream	Total annual cost for design and construction	10% Annual cost for project ID and development	Annual costs for all project steps excluding O&M	15% admin	Total project + 15% admin
Basin 2 & 4 - Poultney, Mettawee, South Lake Champlain	\$39,850	\$247,371	\$281,109	\$96,434	\$664,765	\$73,863	\$738,628	\$130,346	\$868,974
Basin 3 - Otter, Lewis, Little Otter	\$57,169	\$421,481	\$0	\$294,069	\$772,719	\$85,858	\$858,576	\$151,513	\$1,010,090
Basin 5 - Northern Lake Champlain Direct	\$12,986	\$259,515	\$0	\$31,145	\$303,646	\$33,738	\$337,384	\$59,538	\$396,923
Basin 6 - Missisquoi, Rock, Pike	\$58,024	\$795,844	\$563,232	\$630,604	\$2,047,704	\$227,523	\$2,275,227	\$401,511	\$2,676,737
Basin 7 - Lamoille	\$8,807	\$352,232	\$0	\$67,344	\$428,383	\$47,598	\$475,982	\$83,997	\$559,978
Basin 8 - Winooski	\$16,465	\$510,955	\$0	\$341,814	\$869,235	\$96,582	\$965,817	\$170,438	\$1,136,255
Lake Memphremagog	\$12,472	\$204,934	\$0	\$51,141	\$268,548	\$29,839	\$298,386	\$52,656	\$351,043
Total	\$205,774	\$2,792,333	\$844,342	\$1,512,552	\$5,355,000	\$595,000	\$5,950,000	\$1,050,000	\$7,000,000

Table 4. CWSP annual funding based on funds available & min funding set to \$700,000 including shifting \$400,000 from Basin 6 to each of Basin 7 and Basin 17 (before ID and development and O&M adjustments.)

	Agriculture	Developed	Forest	Stream	Total annual cost design, engineering and construction	10% Annual cost for project ID and development	Annual costs for all project steps excluding O&M	O&M based on 10k per Basin plus 1.53% of the cost of funded implementation	Total project, project id and development and O&M	15% admin	Total project + O&M + 15% admin
Basin 2 & 4 - Poultney, Mettawee, South Lake Champlain	\$34,638	\$215,016	\$244,341	\$83,821	\$577,815	\$64,202	\$642,017	\$24,290	\$666,307	\$117,584	\$783,891
Basin 3 - Otter, Lewis, Little Otter	\$49,691	\$366,352	\$0	\$255,606	\$671,649	\$74,628	\$746,276	\$20,828	\$767,104	\$135,371	\$902,476
Basin 5 - Northern Lake Champlain Direct	\$22,383	\$447,310	\$0	\$53,683	\$523,376	\$58,153	\$581,528	\$28,562	\$610,090	\$107,663	\$717,753
Basin 6 - Missisquoi, Rock, Pike	\$33,093	\$453,894	\$321,229	\$359,653	\$1,167,869	\$129,763	\$1,297,632	\$45,043	\$1,342,675	\$236,943	\$1,579,618
Basin 7 - Lamoille	\$17,052	\$681,942	\$0	\$130,382	\$829,376	\$92,153	\$921,528	\$15,000	\$936,528	\$165,270	\$1,101,798
Basin 8 - Winooski	\$14,312	\$444,123	\$0	\$297,106	\$755,541	\$83,949	\$839,490	\$14,030	\$853,520	\$150,621	\$1,004,141
Lake Memphremagog	\$38,519	\$632,913	\$0	\$157,944	\$829,376	\$92,153	\$921,528	\$30,747	\$952,275	\$168,049	\$1,120,323
Total	\$209,687	\$3,241,550	\$565,569	\$1,338,193	\$5,355,000	\$595,000	\$5,950,000	\$178,500	\$6,128,500	\$1,081,500	\$7,210,000

Table 5. Reduction targets based on \$7,210,000 in available and \$700,000 in minimum funding for each CWSP plus shifting \$400,000 from Basin 6 to each of Basin 7 and Basin 17 (kg/yr)

	Agriculture (kg/yr)	Developed (kg/yr)	Forest (kg/yr)	Stream (kg/yr)	Total (kg/yr)	Total annual cost for all project steps excluding O&M	Average \$/kg excluding O&M
Basin 2 & 4 - Poultney, Mettawee, South Lake Champlain	8.3	4.2	12.6	3.8	29.0	\$642,017	\$22,141
Basin 3 - Otter, Lewis, Little Otter	11.9	7.2	0.0	11.6	30.8	\$746,276	\$24,240
Basin 5 - Northern Lake Champlain Direct	5.4	8.8	0.0	2.4	16.6	\$581,528	\$34,928
Basin 6 - Missisquoi, Rock, Pike	7.9	9.0	16.6	16.4	49.9	\$1,297,632	\$26,019
Basin 7 - Lamoille	4.1	13.5	0.0	5.9	23.5	\$921,528	\$39,218
Basin 8 - Winooski	3.4	8.8	0.0	13.5	25.7	\$839,490	\$32,629
Lake Memphremagog	9.2	12.5	0.0	7.2	28.9	\$921,528	\$31,853
Total	50.3	64.1	29.2	60.9	204.5	\$5,950,000	\$29,101

Table 6. CWSP SFY27 Awards and Targets Summary Table

	SFY 2027 phosphorus reduction target (kg/yr)	Total annual cost for design, engineering and construction	10% total annual cost project ID and development	O&M - 10k per basin + 1.53% of funded implementation costs through SFY 2025 Q3 – (rounded)	Total Project completion Funding (rounded)	Admin (15% of award) (rounded)	SFY 27 Water Quality Restoration Formula Grant award (rounded)
Basin 2 & 4 - Poultney, Mettawee, South Lake Champlain	29.0	\$577,815.33	\$64,201.70	\$24,290	\$666,307	\$117,584	\$783,891
Basin 3 - Otter, Lewis, Little Otter	30.8	\$671,648.73	\$74,627.64	\$20,828	\$767,105	\$135,371	\$902,476
Basin 5 - Northern Lake Champlain Direct	16.6	\$523,375.52	\$58,152.84	\$28,562	\$610,090	\$107,663	\$717,753
Basin 6 - Missisquoi, Rock, Pike	49.9	\$1,167,868.63	\$129,763.18	\$45,043	\$1,342,675	\$236,943	\$1,579,618
Basin 7 - Lamoille	23.5	\$829,375.52	\$92,152.84	\$15,000	\$936,528	\$165,270	\$1,101,798
Basin 8 - Winooski	25.7	\$755,540.76	\$83,948.97	\$14,030	\$853,520	\$150,621	\$1,004,141
Lake Memphremagog	28.9	\$829,375.52	\$92,152.84	\$30,747	\$952,275	\$168,048	\$1,120,323
Total	204.5	\$5,355,000.00	\$595,000.00	\$178,500.00	\$6,128,500	\$1,081,500	\$7,210,000

Table 6. Total SFY 2023 - 2027 CWSP funding levels and targets. The following summarizes the CWSP funding across project completion, O&M and administrative funds along with targets across SFY 2023-2027 awards.

Basin	Project completion funding	O&M funding	Admin funding	Total funding	Total SFY 23-27 targets (kg/yr)
Basin 2 & 4 - Poultney, Mettawee, South Lake Champlain	\$3,891,242	\$47,562	\$695,083	\$4,633,887	183.2
Basin 3 - Otter, Lewis, Little Otter	\$4,394,907	\$46,530	\$783,783	\$5,225,220	188.9
Basin 5 - Northern Lake Champlain Direct	\$2,956,036	\$50,259	\$530,523	\$3,536,818	87.8
Basin 6 - Missisquoi, Rock, Pike	\$9,801,511	\$87,831	\$1,745,178	\$11,634,520	392.0
Basin 7 - Lamoille	\$3,287,877	\$28,737	\$585,285	\$3,901,899	86.8
Basin 8 - Winooski	\$4,414,775	\$28,191	\$784,053	\$5,227,019	140.6
Lake Memphremagog	\$3,312,033	\$71,509	\$597,095	\$3,980,637	107.6
Total	\$32,058,381	\$360,619	\$5,721,000	\$38,140,000	1187.0