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To: Vermont Climate Council
From: Julie Moore
Date: September 12, 2022
re: Climate Action Office, Budget Overview

In general, the funding available in a given year for program budgets within any department or agency of state government falls into one of three buckets: base budget; one-time appropriations; and carryforward. These are best defined as follows:

- **Base budget** is the portion of the budget that is identified to fund ongoing, annual operating costs – such as staff, rent and councilor per diems – rather than short-term projects. As shown in the table below, the base budget for the Climate Action Office in FY23 was \$1,100,000. For FY24, all of state government has been asked to submit budgets that grow base spending no more than 3% based on the FY23 General Fund “As Passed” appropriation. The increase in base revenue recognizes the non-discretionary, annual upward pressures in budgets such as wages and benefits.
- **One-time appropriations** are made with surplus revenue that has been received by the state for which no revenue source exists for the following year. For example, spending by businesses and individuals that was driven by federal stimulus payments may increase state tax revenue in a way that is unlikely to recur. This money is ideally spent on well-defined, time-bound (meaning they can be completed in 1-2 fiscal years) projects. Examples might include contracted services to answer a specific research question or a construction project to build a set number of EV charging stations. It is important to note that one-time appropriations have increased dramatically since FY20 as a result of the significant federal stimulus programs (i.e., CARES Act, ARPA, IIJA/BIL). As these programs run their course and wind down so will the surplus state revenue they generate and, as a result, one-time appropriations are expected to be significantly curtailed as soon as FY25. As shown in the table below, one-time appropriations for the Climate Action Office were \$1,000,000 in FY21 and \$75,000 in FY23.
- **Carryforward** is the unexpended balance at the end of a prior fiscal year that has been rolled forward to the next fiscal year. In the case of the budget for the Climate Action Office, the carryforward funds have generally been committed to contracted services but not fully encumbered by the end of the fiscal year. For example, spending from FY23 carryforward balance is being used to support contracts for the Lifecycle Analysis, Municipal Vulnerability Index and Measuring and Assessing Progress Tool. Carryforward balances should be considered similarly to one-time appropriations, as they are not a recurring source of funding.

Table 1: ANR Climate Action Office, budget to actuals, FY21-23

Budget To Actuals					
Base Ongoing Appropriation					
	FY21 Budget	FY21 Actuals	FY22 Budget	FY22 Actuals	FY23 Budget
ANR Staff	450,000.00	55,212.08	336,853.00	259,937.92	646,081.00
Operating Expenses		2,967.20	84,147.00	8,931.86	153,111.00
Council Member Per Diems and		3,660.12	29,000.00	16,290.63	15,000.00
Contracted Services		39,497.50			285,808.00
Total Base Ongoing	450,000.00	101,336.90	450,000.00	285,160.41	1,100,000.00
Budget to Actuals					
One-Time Spending					
	FY21 One-time Budget	FY21 One-time Actuals	FY22 One-Time Budget	FY22 One-Time Actuals	FY23 One-Time
One-Time Appropriations	1,000,000.00				75,000.00
Carry-Forward			1,348,663.10	824,665.00	688,837.69
Total One-Time	1,000,000.00	-	1,348,663.10	824,665.00	763,837.69
Total	1,450,000.00	101,336.90	1,798,663.10	1,109,825.41	1,863,837.69

Obviously, the funding profile for what is now the Climate Action Office evolved significantly over the last three fiscal years as the Agency’s focus transitioned from the work needed to support development of the initial Climate Action Plan to the current role and responsibilities of the Climate Action Office (CAO) which move beyond administrative support to the Council. Specifically, the CAO will increasingly focus on coordinating and providing expertise and capacity on state-led climate initiatives, as well as the monitoring, assessment and tracking of climate adaptation, mitigation, and resilience activities necessary to evaluate progress over time in achieving the requirements of the GWSA. The FY23 base budget of \$1,100,000 reflects this shift, providing funding for eight staff positions and a modest operating budget to support the Council, including facilitation services and per diems for Councilors. In light of the budget direction provided to the whole of state government, it is reasonable to assume that the base budget for the Climate Action Office in FY24 will be \$1,133,000.

In addition, to the base budget there are several Climate Council initiatives where the next phase of the work is well-suited to one-time appropriations fundings as they involve well-defined, time-bound projects. Included on this list are:

- Approach for addressing RCI GHG emissions, \$400,000
- Initial implementation of the MVI, \$150,000
- Phase 2 of the measuring and assessing progress tool, \$250,000

As such, the total one-time funding needed to support these initiatives in FY24 is \$800,000 and it is the intent of ANR to request/recommend these items as part of our FY24 budget, Further, it is anticipated that there will be sufficient staff capacity in Climate Action Office to manage these projects. Additional one-time appropriations sought by the Climate Council will be considered by the Governor, using broadly the following criteria:

- Availability of one-time monies anticipated in FY24;
- Competing demands for these funds across state government;
- Ability to complete initiatives proposed for one-time monies in one to two years; and,
- The capacity of the Climate Action Office or another Agency to manage the projects with existing staff resources.

It is also important to keep in mind that the FY23 budget invested more than \$200 million of one-time monies – nearly \$160 million of ARPA and \$40 million in general fund – in climate-related initiatives including weatherization, EV charging infrastructure and purchase incentives, municipal energy resilience, natural and working lands and flood hazard mitigation. Federal funding for climate action will be augmented through the recently-passed Inflation Reduction Act that includes further investments in natural and working lands, energy efficiency and renewables, and EV charging infrastructure and purchase incentives. The on-going, successful deployment of this unprecedented federal investment in climate action also needs to be considered in developing FY24 budget requests.