As 2003 gets under way, rapid economic changes are sweeping across the global landscape, leaving a wake of economic, environmental, and social disruption. Vermont has not been left unscathed. The anxiety perpetuated by unexpected changes demand a new vision for a more resilient Vermont economy, complete with a road map to get us there. At issue is not whether Vermonters will engage to help catalyze our economy. The question is: what direction will we take to get there? The Vermont Natural Resources Council believes that the paradigm for any economic strategies must recognize the inseparability of our economy from our environment.

To know where we are going though, we have to know where we have been. For years, Vermont has been growing a robust economy derived from the quality of our natural resources. Working farmland and forests have long been a staple of Vermont’s unique landscape and economy. And recreation based activity by itself brings millions of dollars into the state. However, the growth potential for our tourism and resource-based economic engines mandate that we improve the quality of environment, rather than compromise it.

We can and should do more to encourage investment in homegrown markets and Vermont’s natural capital. In the year 2000, the Vermont Job Gap Study showed that Vermont depends on imports more than seven times as much as the U.S. as a whole does. Vermont annually exports billions of dollars that could, and should, stay within our borders and add value to our economy. This problem drains our ability to use capital to support local economic activity and actually shrinks our economy.

Strategies for a robust, sustainable economy that moves Vermont towards greater economic independence rely, in large part, on a healthy environment. Vermont should better capitalize on the quality of our natural resources, not just for a booming tourist economy, but also to provide us with energy, housing, and food. Wind, solar, biomass, and geothermal resources can provide us with clean, renewable sources of energy. Vermont’s abundant forests can provide us with sustainably harvested, high value wood for building and remodeling. Vermont’s fertile farmland can provide us with

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sustenance. The key is to invest in Vermont. At the same time, policymakers need to reject the fallacy that a better economy is realized through weakening environmental protections and gutting conservation programs. Weakening Vermont’s development review process will not bring jobs into Vermont. Stripping funding away from the Vermont Agency of Natural Resources will not help them review permits more expeditiously. And chipping away at Vermont’s energy efficiency program, which has created jobs, expanded Vermont’s economy, and saved millions of dollars for businesses, is an economic step backwards.

VNRC and our 5,000 members across the state recognize that by investing in Vermont’s natural and human capital, we have the opportunity to usher in a new and better economy. Having a healthy environment and a healthy economy is not an either/or proposition. Vermont is home to unique and abundant resources that can create a resilient new economy for the future. VNRC hopes that the 2003 Vermont Legislature will build the roadmap to Vermont’s new, sustainable economy with the understanding that the quality of our environment is an integral part of our economic foundation.

ACT 250 AND THE LARGER DEVELOPMENT REVIEW PROCESS

It seems clear that Vermont’s development review process will take center stage during the 2003 Vermont legislative session. Sound bytes proclaiming that Act 250 and Vermont’s larger development review process needs to be updated have clogged the airwaves. On some fronts, the Vermont Natural Resources Council agrees. For example, sprawl has taken over many Vermont communities, and it continues to eat up vast chunks of rural, working landscape. The development review process has failed to curtail sprawl and its blight on our landscape.

All Vermonters, whether applicants, regular citizens, or state officials, deserve a development review process that is fair, transparent, and predictable; a process that protects our precious natural resources and helps our communities grow in a responsible, sustainable manner. If there are changes that can be made to the larger development review process within this context to alleviate real problems identified by the business community, then VNRC is poised to continue our collaborative work with various stakeholders.

However, VNRC neither subscribes to, nor accepts, the claims that tough economic times and job losses are somehow a result of trying to protect our environment. They are not, and most Vermonters know better. Vermont has experienced a slower rate of job losses than the rest of the country which, as a whole, is beginning to see the effects of globalization, especially in the manufacturing sector. Weakening Vermont’s development review laws will do little, if anything, to reverse this national trend. Vermont’s greatest assets are our natural resources, and there is no more important time than now to keep our environmental review process strong. This includes Act 250.

Act 250 is only a part of Vermont’s larger permit process, with only 40% of the state’s development triggering Act 250 review. VNRC helped to pass Act 250 in 1970, and we have made the support for the law one of our highest priorities for the past 33 years. Act 250 has helped Vermonters protect their environment and Vermont’s unique landscape.

At the same time, Act 250 has been widely acknowledged by business interests, bankers, and economists as having a positive economic impact on Vermont’s economy. Act 250 has protected the state’s economic, resource-based sectors – tourism, recreation, agriculture and forestry and the important “Made-in-Vermont” products industry. It has improved the quality of major developments and produced generally secure financial investments. Since Act 250 was passed, Vermont’s economic performance has been among the strongest in New England’s, equaling or exceeding that of its neighbors.

Recently, the Environmental Board proposed rule changes to Act 250 that would have drastically hindered the ability of Vermonters to participate in the development review process. Throughout public hearings in Montpelier, Rutland, Brattleboro, and
White River Junction on the proposed changes, very few people spoke out in support of the rules that would have weakened citizen participation in Act 250. Business people, conservationists, town officials, landowners, and other citizens voiced their comments and concerns about the proposed rule changes. All favored keeping Act 250’s citizen friendly provisions in place, and some called for strengthening the law.

Many of those who spoke at the hearings voiced strong opposition to restricting citizen party status. Many of these people favored keeping Act 250 as open, citizen-friendly, democratic, fair, and responsive to the public interest as possible.

It is the unique combination of true democracy in action and the well-deserved reputation for protecting our environment and communities that has made Act 250 the envy of other states. We must work together to ensure that both the democratic process and the substantive environmental standards of the law are protected and strengthened.

VNRC believes that Act 250 party status and appeals should be addressed to make the process consistent with other judicial and quasi-judicial procedures, with full appeal rights to the court available for all parties. However, a larger problem with the development review process is the lack of planning and coordination between the local and state agencies. This deficiency results in a process that lacks predictability, is inefficient, and compromises environmental protection.

VNRC believes that providing consistency with judicial process, strengthening planning efforts, allowing for targeted consolidation of review and appeals, and improving enforcement can go a long way in improving the development review process.

VNRC is actively engaged in dialogue with representatives of the business community through which a substantive proposal may be presented to the legislature.

Any changes to Vermont’s development review process should be guided by principles that are:

- Protective of Vermont’s natural resources, working landscape and communities;
- Predictable as to time frame and outcome;
- Fair to all applicants and interested participants;
- Effective in protecting Vermont’s character and quality of life.

It is a fallacy that by weakening Act 250 and “streamlining” the permit process, jobs will suddenly pour into Vermont. If Vermont leaders follow this flawed line of thinking, there will be a dear price to pay in the future. Quality of life will suffer. We will deplete and degrade the natural resources that produce a strong resource-based and tourist-based economy. The cost of cleaning up the mess later will escalate at an exponential rate and be far more expensive than protecting our environment now. One need only to look at the collapse of Vermont’s stormwater management program and the future increased costs of treating polluted runoff when resources are pulled from the programs that protect our environment.

Environmental protection through the development review process does not just come from a set of standards or criteria. It also comes from a process that adequately ensures that standards are met through a set of checks and balances, the foundation of which is citizen participation.

There are solutions available to alleviate anxiety over an ailing economy and the perception that Vermont’s permit process can be frustrating that do not undermine protection of our natural resources, public health, and societal well-being. However, the task of tackling tough issues will require a thoughtful approach that moves forward without being in a vacuum. VNRC looks forward to helping facilitate a credible, contemplative, and thoughtful process.
RENEWABLE ENERGY AND ENERGY EFFICIENCY

VNRRC views the stalling of last year’s renewable energy bill as the single biggest failure of the 2002 legislative session. VNRRC feels optimistic that this year will be different, and that enough House members will step forward to make passage of renewable energy bill a reality. On the other hand, VNRRC is concerned that Vermont’s incredibly effective energy efficiency programs will come under fire. Already, business interests have persuaded the Vermont Public Service Board to support reduced funding for successful energy efficiency programs.

Last year S.264, the omnibus bill that included a number of provisions to promote renewable energy and energy efficiency, passed the Senate one legislator short of a unanimous vote. The bill then moved to the House where it was buried in committee until time ran out for the session. Many of the questions from skeptical House members remain the same. VNRRC is committed to taking the lead on legislation similar to last year, and guaranteeing that every legislator fully understands both the environmental and economic benefits of promoting renewable energy and energy efficiency.

Provisions from S.264 that may be included in legislation this year include:

- Creating a Renewable Energy Portfolio Standard (RPS) to allow utilities to increase the amount of renewable energy they provide to their customers.
- Releasing $750,000 from the Petroleum Overcharge Escrow Account to create a renewable energy rebate program to help businesses and homeowners buy solar and wind energy systems.
- Allowing groups of utility customers to “group net meter”. This provision was particularly helpful for dairy farmers investing in methane collection systems, VNRRC would like to expand this provision beyond the farming community.
- Eliminating the sales tax for solar hot water systems and for off-grid installations of solar and wind electric systems (currently the exemption is for grid tied solar and wind only)
- Creating rules for utility “green pricing” programs to allow rate payers to voluntarily pay a little bit more on their electric bill to increase the amount of renewable energy their utility buys.
- Creating an alternative system for regulating the utilities to allow them more flexibility to develop incentives to increase energy efficiency.

VNRRC is currently working with a coalition of organizations as well as the Vermont Department of Public Service to determine other initiatives that may be appropriate.

VNRRC has also been involved in supporting Vermont’s energy efficiency programs, and will continue to do so when the legislature convenes. Vermonters currently pay a small energy efficiency charge on their electric bills that are used to support efficiency programs. These programs have been effective in reducing energy costs for business, and have proven to be a remarkably prudent investment that pays dividends for years. Energy efficient investments save untold dollars over time, create jobs, expand our economy, decrease Vermont’s electric rates, and reduce external costs to the environment. Sounds great, doesn’t it?

VNRRC believes so, which leaves us perplexed as to why certain business interests are now opposing the pre-arranged agreement that grows the program. The business lobby convinced the Vermont Public Service Board (PSB) to take a hard look the program, and they did. As a party to the docket that created the program in the first place, VNRRC testified in support of full funding for the efficiency program. At the end of December, the PSB issued an order to curtail growth in the program, leaving funding $2 million short of the $16 million slated for 2003.

Even with these cuts, VNRRC expects to face legislative efforts to further cut the energy efficiency program—a move that does not make sense for the economy or the environment.

BUDGET FOR THE AGENCY OF NATURAL RESOURCES

Without a fully funded and adequately staffed Agency of Natural Resources (ANR), both the economy and environment suffer. Businesses are not able to acquire permits in a timely fashion, and agency personnel are not available to ensure that Vermont’s land, air and water are protected.

Based on pre-legislative campaign promises, it is expected that some efforts will be made to divert resources from ANR in order to bolster economic development programs. VNRRC views this philosophy as a monumental mistake that will cost businesses and the quality of our environment dearly.

Just last year, one of the most difficult battles of the legislative session erupted over stormwater pollution, a growing problem whose source can be traced to grossly insufficient funding. VNRRC will advocate for full funding for ANR and hopes that the new administration will realize that a healthy ANR benefits all Vermonters.

VERMONT’S AGRICULTURAL ECONOMY

VNRRC believes that a legislative effort is needed to bolster the health and viability of Vermont’s rural agricultural community. Farms and farmers are integral parts of Vermont’s rural communities and economy and provide open space and wildlife habitat. Vermont needs the tools to keep state resources focused on ensuring that small and mid-sized Vermont farms will capture emerging markets and remain economically viable, while protecting the fabric of Vermont’s working landscape.
Initiatives could include:

- Elevating the Agriculture Department to a cabinet level agency;
- Creating incentives for sustainable use of private lands in exchange for appropriate guarantees of public access;
- Supporting a broader rural economic revitalization program including capital assistance for farm investments in sustainable agriculture, policies that ease tax burdens on farm and forest land held by non-industrial owners, increased funding for UVM Center for Sustainable Agriculture, preference for purchases of Vermont value-added farm and forestry products wherever possible for state institutions;
- Combining reform of Vermont’s large farm law with modernization of Vermont’s development review process;

Reforming Vermont’s large farm law is of special interest to VNRC. Many farmers in Vermont feel that they have been put in the position of “getting big or getting out,” and proposals for factory size farms in Vermont have begun to appear.

Factory farms do not have an adequate land base or, in the case of the Vermont Egg Farm in Highgate, have virtually no land base at all. Large-scale factory farms or large farm operations (LFOs) can cause water and air pollution problems and raise other public health and safety concerns if not properly sited and designed. Strengthening Vermont’s LFO law to build in real protections for neighbors, ground and surface waters, and applicants will be a key to ensuring future agricultural operations that fit into Vermont communities.

Curtailing Sprawl
Sprawling development is overtaking Vermont in the form of suburban subdivisions, commercial strips with “big box” retailers such as Walmart, and scattered residential lots in outlying areas.

Vermont has taken some steps to revitalize its major downtown areas and has preserved many of its compact towns and villages, but in many parts of the state, pressure to develop outside town centers continues to be strong.

Sprawl threatens to change our traditional rural landscape and economy, the vitality of our downtowns, and our sense of community. The following actions are recommended to address the problems associated with sprawl:

- Examine and revise state policies and investments that contribute to sprawl. Many state agencies such as Commerce and Community Development, Transportation, Natural Resources, and others have programs and budgets that have impacts on how land is used in Vermont. It is critical to understand how and to what extent the policies and programs implemented by these governmental entities may be inadvertently increasing sprawl, and to make appropriate adjustments to avoid or reduce the potential for sprawl.
- Assess the effectiveness of the Development Cabinet, created by the Legislature in 2002 to ensure that public investments support smart growth.
- Create growth centers where development, including affordable housing, is supported, and where state funding for infrastructure is targeted while enhancing land protection efforts and discouraging state infrastructure investments outside downtowns/growth centers.
- Follow up on the recommendations of the 2002 Downtown Task Force Report and the Joint Fiscal Office/Legislative Council Study authorized by the 2002 legislature, and consider the concept of land value taxation. The General Assembly should enact enabling legislation that would allow cities and towns with designated downtowns to increase taxes on land values in their downtown centers while decreasing taxes on downtown building values if they choose. A voluntary measure like land value taxation would give municipalities with designated downtowns the flexibility to set the tax rates on land, buildings and improvements at levels they believe would work best at encouraging development in their downtowns, and to alter the ratio in future years.
- Continue to support programs, including the Downtown Program, Housing and Conservation Trust Fund and the Brownfield Program, that offer local communities and developers specially tailored state policies, financial incentives and tax credits, and regulatory incentives for growth in downtowns and village centers.
- Direct the Department of Labor and Industry to revise Building Codes to provide greater flexibility for the re-development of older buildings.
- Amend Vermont Economic Progress Council (VEPC) guidelines to encourage and give preference in the awarding of tax credits to businesses which locate in existing downtowns or which use existing infrastructure and which support the sustainable agricultural community and economic development in rural community centers.
- Extend current use program to other open space lands including land used for protecting threatened and endangered species.
- Broaden and increase the land gains tax so that the rate for land most threatened by sprawl could increase.

On-Site Septic Revisited
After more than a decade of wrangling over closing the ten acre loophole in exchange for allowing the use of alternative septic systems, the 2002 Legislature passed a bill that made it happen. The ten acre loophole allowed septic systems to be built on lots ten acres or larger without review, causing untold ground and surface water pollution. VNRC was instrumental in ensuring that sufficient checks and balances were included in the bill so that water quality and prudent land use patterns were not compromised. Unfortunately, difficulties with implementation of the new law have not put the issue entirely to rest.

Concerns have been raised, especially in parts of Addison County, over consistency of implementation, the timeline for closing loopholes, and the adequacy of citizen education. In some instances, perceptions of the problem have been exacerbated by politics.

In any event, some of the growing pains are real, and the
Vermont Department of Environmental Conservation has been scrambling to smooth out the rough spots. Governor Dean has issued executive orders that create two separate committees to help with the growing pains, and VNRC staff has been appointed to both committees. One committee looks at the technical issues, and the other at citizen education and implementation of the law.

While suggestions have already been made that the issues need to be revisited by the legislature, VNRC is committed to solving problems through the technical advisory and implementation committees. VNRC is skeptical that the issue can be reexamined by the legislature without waging the same battle all over again. Already suggestions have been made that the legislature should just exempt certain types of soil from review, the exact soils that lead to the greatest ground and surface water pollution. While VNRC hopes that the issue can be resolved without legislative intervention, we are also committed to all courses of action to ensure that implementation of the law goes as smoothly as possible.

Creative Funding Initiatives for Species Recovery
The Vermont Fish and Wildlife Department (DFW) currently does not have enough dedicated funding to support the conservation of non-game and threatened and endangered species in Vermont. According to the DFW's recent Comprehensive Wildlife Conservation and Restoration Plan (Conservation 2001), dedicated funding for non-game species is derived strictly from voluntary sources such as the conservation license plate program and state income tax donations. Unfortunately, these funding sources do not generate enough revenue to support the conservation needs of non-game species.

Furthermore, current staff and funding is inadequate to implement an effective endangered species recovery program. While some federal dollars help make up the shortfall in Non-game and Natural Heritage Program's annual budget, an infusion of dedicated, non-discretionary funding is needed to enable conservation planning of non-game and threatened and endangered species in Vermont. This session, VNRC will urge the legislature to study the feasibility of creating a new funding source for the recovery and conservation of non-game and threatened and endangered species in Vermont.

One possibility is to consider the redistribution of a small portion of the current state sales tax to the Non-game Program. Another prospect, which could also leverage federal dollars, is to implement a small user fee or tax on outdoor equipment used by the outdoor recreational community and wildlife enthusiasts that is not already taxed under a separate program.

Research conducted by the Fish and Wildlife Department demonstrates that Vermonters support allocating additional money for wildlife conservation in the state. For example, a recent survey found that 97% of Vermonters believe protecting fish and wildlife resources is important. Moreover, 60% of Vermonters believe that more money should be spent on managing and protecting threatened and endangered species, a figure that demonstrates that a majority of Vermonters support action.

Certification of State Managed Forests
The Vermont Department of Forests, Parks, and Recreation has a unique opportunity to join the growing list of states around the country certifying their public forest lands. In recent years, New York, Maine, Pennsylvania, Minnesota, and Tennessee have all received independent certification of their state lands for sustainable forestry management by the Forest Stewardship Council (FSC). VNRC believes the Vermont Department of Forests, Parks, and Recreation should seek certification under the environmental criteria of the FSC program. The FSC program considers such issues as sustained yield, forest regeneration, road building, and water quality protection.

VNRC realizes that the certification of state forest lands will require funding, and we are committed to exploring different options to independent certification for our state forest lands.

State Purchasing of Vermont Forest Products
The Vermont legislature should implement a policy of requiring new construction of state buildings and infrastructure to contain Vermont wood products. This initiative would compliment work already being conducted by the Cornerstone Project, and it would ensure that there is a focus on our state's economy through government sponsored development projects in the state.

It makes sense for the State to promote the purchasing of Vermont wood products to the greatest degree possible to support wood production and manufacturing in the state. A component of such a program
should include preferential policies for state purchases of wood products that favor in-state sources and manufacturers that meet environmental criteria. The legislature should also consider the degree to which the products selected should comply with independent third party certification.

The purchasing program should, at a minimum, verify that wood sources meet or exceed defined environmental, social and economic principles and criteria, and that manufacturers can maintain product chain of custody from those sources. VNRC is committed to encouraging our state government to support its own manufacturing and wood products industry.

**HOUSING AND CONSERVATION TRUST FUND**

Vermont community-based organizations and municipalities develop perpetually affordable housing and conserve important agricultural and recreational lands, natural areas and historic properties. The foundation funds for these economic development investments are grants and loans from the Vermont Housing and Conservation Board (VHCB), which typically leverage substantial private and federal matching funds.

To ensure a stable funding base in both good and tough times, existing Vermont law dedicates half of the property transfer tax receipts to VHCB grants. In 2003, VNRC believes that Vermont should sustain the VHCB dedicated source for affordable housing and conservation investments.

**MUNICIPAL AND REGIONAL PLANNING FUND**

VNRC encourages the Vermont legislature to fully support the Municipal and Regional Planning Fund. This fund provides financial and technical support to Vermont communities and regional planning commissions through the Department of Housing and Community Affairs.

**AFFORDABLE HOUSING (CHAPTER 117) STUDY COMMITTEE**

The 2001 General Assembly passed a bill (H. 483) to stimulate the development of affordable housing in Vermont. One part of the bill created a study commission to review the regional planning and development act with an eye toward recommending changes that would encourage development of affordable housing. Part of the charge of the Chapter 117 Study Committee was to reconcile Act 250 with municipal planning law.

The committee made some recommendations to the legislature in 2002 and will have further recommendations for the 2003 legislature. VNRC urges the committee and legislature to ensure robust citizen participation and rights of appeal as it seeks ways to achieve consistency in the local and state permitting processes.

**PROTECTING GROUNDWATER**

Each day, millions of gallons of water are pumped from Vermont's public waters, both above and below ground, to be used for commercial purposes. Billions of gallons are used every year, and there are major holes in Vermont's law that is designed to protect ground water. Beyond Vermont's borders, water, as well as the battles over its private, commercial usage, is becoming a hot topic. VNRC is committed to ensuring protection of current and future supplies of ground and surface water. VNRC is especially interested in raising public awareness about the commercial withdrawal of public water resources before conflicts begin to spread.

This year, VNRC will work to educate Vermonters about the issue. VNRC supports assessment of reasonable fees for usage of public waters, and recommends that the proceeds of these fees be earmarked for state programs that benefit the resources that are impacted. VNRC will also encourage the legislature to investigate setting limits on the amount of water that can be withdrawn from Vermont's aquifers.

**PROTECTION OF RIPARIAN BUFFERS**

The land area along the banks of Vermont's rivers and lakes, called the riparian zone, serves a very important function for the health of our waters. Healthy riparian areas keep the river banks stable, and prevent them from eroding into the stream. In addition, stable riparian areas filter pollutants and sediment from stormwater events. They also moderate the temperature of streams, allowing sensitive species like trout and salmon to occupy their natural habitat.

VNRC supports legislation that will ensure that Vermonters have an incentive to protect and conserve these valuable riparian areas, ensuring the health of our rivers and lakes for present and future generations of Vermonters.

**KEEPING TRACK AND VNRC TRACKING WORKSHOPS**

VNRC and Keeping Track are once again teaming up to invite Vermonters to learn more about the natural world around us and how critters use the woods, waters and wetlands of Vermont. These two tracking workshops, led by premier wildlife biologist Sue Morse, are an excellent opportunity to learn some basics about animal tracking and wildlife habitat. The two events will be on Saturday January 18th and on Friday, February 21st from 11:30 AM to 4 PM. The January 18th event from 9AM to 4PM will take us through more hilly and rugged terrain then the gentler terrain of February 21st. Both events will take place in Wolf Run in Jericho.

If you are interested in attending please register by calling Jimmy Fordham at 223-2328, jifordham@vnrc.org.

**CLIMATE ACTION TOWN MEETING CAMPAIGN**

VNRC, Southern Vermonters for a Fair Economy and Environmental Protection, and the Burlington-based Alliance for Climate Action are teaming up for a town meeting campaign to promote greater energy independence. The threat of drilling for oil in pristine wilderness areas and increasing volatility in many oil exporting countries, have many people interested in finding new energy solutions. We are asking towns to pass resolutions on town meeting day that would call on "municipal leaders, state legislators, governor and Congressional delegation to put Vermont in the forefront of a sustainable energy future."

To find out more about the Climate Action Town Meeting Campaign or to find out how you can help pass a resolution in your town please contact Matteo Burani at 223-2328, mburani@vnrc.org.
On Thursday, February 13 VNRC is co-sponsoring Citizen Action Day. Vermont has perhaps the most open and democratic form of state government in our country, and citizen voices can and do make a difference. The Statehouse in Montpelier is a small, inviting place with generally friendly, familiar faces. When citizens do show up to speak out about an issue that they care about, their presence is felt and their concerns are respected. Citizen Action Day is an opportunity for citizens to support conservation initiatives. Regardless of the issue, your voice will be heard.

We encourage all VNRC members to join us as we get a first hand look at how the Legislative process works. Bring your family, friends, school group or church group. There is strength in numbers, so help us show our legislature that Vermonters care deeply about protecting the environment.

Citizen Action Day will start at 10AM with a briefing on the issues being discussed. VNRC and our friends will help you identify your Legislators and where they can be found. You will have the chance to observe floor debate, attend a committee meeting, or talk to your Legislators.

To register or to find out more please contact Matteo Burani at 223-2328, mburani@vnrc.org.