

## **Joint Subcommittee to Study Options to Provide a Long-term Funding Source to Clean up Virginia's Polluted Waters, Including the Chesapeake Bay and its Tributaries (HJR 640 - 2005)**

May 12, 2005

The Joint Subcommittee to Study Options to Provide a Long-term Funding Source to Clean up Virginia's Polluted Waters, Including the Chesapeake Bay and its Tributaries (HJR 640 - 2005) held its first meeting on May 12, 2005.

The members of the Joint Subcommittee are: Delegate Vincent F. Callahan, Jr., Chairman; Senator John H. Chichester, Vice Chairman; Delegate Harry J. Parrish; Delegate M. Kirkland Cox; Delegate L. Scott Lingamfelter; Senator Charles R. Hawkins; The Honorable W. Tayloe Murphy, Jr., ex officio; The Honorable Robert S. Bloxom, ex officio.

The first order of business was the nomination and election of Delegate Vincent F. Callahan, Jr. as Chairman, and Senator John H. Chichester as Vice Chairman.

The meeting began with an overview of the Water Quality Improvement Fund, the primary source for moneys to cleanup Virginia's waters. The Fund was created by the 1997 Session of the General Assembly. Current law dedicates 10 percent of any year-end revenue surplus and 10 percent of any year-end unreserved general fund balance to the Fund. Moneys in the Fund are used to provide grants to local governments, soil and water conservation districts, state agencies, and individuals for cleanup of point and nonpoint sources of pollution. The economic recession was the reason that no deposit was made into the Fund in Fiscal Years 2002 through 2004, as there were no year-end surpluses or balances. In addition to the year-end surplus being deposited into the Fund, for Fiscal Year 2005 the General Assembly appropriated an additional \$15 million to the Fund making the total fiscal year deposit \$22.7 million. For Fiscal Year 2006, in addition to the year-end surplus, the General Assembly appropriated an additional \$65 million to the Fund making the total fiscal year deposit \$97.4 million. Of this additional \$65 million, \$50 million is dedicated for wastewater improvement.

Next, Secretary Murphy provided some remarks on issues raised by House Joint Resolution No. 640, the joint resolution that created the study. Secretary Murphy stated that there are plans and strategies in place that will clean up Virginia's waters, but the Commonwealth does not have the funding to carry out those plans. He stated that funding for natural resources in the Commonwealth hovers at or below 1% of the state budget on an annual basis.

Secretary Murphy remarked that in 1999 the Environmental Protection Agency (EPA) added the Chesapeake Bay and its tributaries to its impaired list of waters because of the amount of nitrogen and phosphorus in the waters. EPA has established new water quality standards for the Bay and its tributaries. These standards form the basis for nutrient and sediment reduction goals. Secretary Murphy indicated that Virginia will

have to reduce its annual nitrogen discharge into the Bay and its tributaries from 77 million pounds per year to 51.4 million pounds per year and its phosphorus discharge from 10 million pounds per year to 6 million pounds per year. With respect to non-point sources of pollution, pollution from agricultural activities is the largest source of pollution. In Fiscal Year 2006 the Department of Conservation and Recreation will have about \$30 million for making grants to reduce non-point sources of pollution.

Secretary Murphy commented that Virginia's economic prosperity is directly linked to the health of its natural resources.

Mr. Russell W. Baxter, Assistant Secretary of Natural Resources for Chesapeake Bay Coordination, followed Secretary Murphy. Mr. Baxter stated that a sample of water quality in 2004 revealed that 6,900 stream miles out of 13,200 stream miles assessed are impaired; 89,900 acres of lakes out of 109,000 acres of lakes assessed are impaired; and 1,810 square miles of estuaries out of 2,500 square miles of estuaries assessed are impaired.

Mr. Baxter discussed provisions of House Bill No. 2862/Senate Bill No. 1275 passed by the 2005 Session of the General Assembly. This legislation requires the State Water Control Board to issue to significant dischargers a Watershed General Permit authorizing point source discharge loads for total nitrogen and total phosphorus. A significant discharger can meet the maximum load authorized by acquiring nitrogen and phosphorus allocations and credits from other significant dischargers.

Mr. Baxter also discussed provisions of House Bill No. 2777/Senate Bill No. 1235/Senate Bill No. 810, which provided an additional \$50 million deposit into the Water Quality Improvement Fund to be used solely to finance the costs of design and installation of biological nutrient removal facilities or other nutrient removal technology at publicly owned treatment plants.

Mr. Baxter next provided the joint subcommittee with the latest estimated costs for cleaning up the Chesapeake Bay and other impaired waters of the Commonwealth. The total cost to meet nutrient reduction commitments for all wastewater treatment plants was estimated at \$1.1 billion. Of the 120 treatment plants located in the Commonwealth, 100 are publicly owned plants, and the total cost to meet nutrient reduction commitments at these plants was estimated to be \$1.014 billion. Mr. Baxter concluded by estimating the total costs for cleaning up the impaired waters of the Commonwealth at \$12.5 billion, a cost to be shared by the Commonwealth, local governments, agricultural producers, and developers, among other persons.

Dr. Jack Greer of the Environmental Finance Center at Maryland Sea Grant College followed Mr. Baxter. Dr. Greer helped to staff the Chesapeake Bay Watershed Blue Ribbon Finance Panel, which was formed pursuant to Chesapeake Executive Council Directive No. 03-02. The Blue Ribbon Finance Panel was charged with identifying funding for cleanup of the Chesapeake Bay to facilitate removal of the Bay from EPA's

list of impaired waters by 2010. Dr. Greer discussed the work done by the Blue Ribbon Finance Panel and presented some of its recommendations.

The Blue Ribbon Finance Panel recommended the creation of a Chesapeake Bay Financing Authority that would be capitalized by revenue appropriations from the Bay states and the federal government. The Financing Authority as an independent authority might be able to direct funds to Bay Watershed projects that would provide the greatest amount of return in terms of nutrient and sediment reductions. The Blue Ribbon Finance Panel recommended that the federal government provide for 80 percent of the Fund's capitalization with the Bay states contributing 20 percent of the Fund's capitalization.

Dr. Greer stated that the Blue Ribbon Finance Panel also recommended that the Bay states establish revolving loan funds to provide ongoing funding for cleanup of the Bay. The Finance Panel recognized that agricultural producers will need financial assistance in the form of federal and state grants and other subsidies to institute best management practices for nutrient reduction. The Finance Panel noted that the sewer and septic fees imposed by the state of Maryland for cleanup of the Chesapeake Bay serve as a model for funding wastewater treatment improvements and other cleanup efforts.

Ms. Anne Jennings, Virginia Executive Director of the Chesapeake Bay Foundation, was the final speaker. Ms. Jennings stated that the Foundation and Virginia's citizens support the \$50 million commitment made by the General Assembly in House Bill No. 2777/Senate Bill No. 1235/Senate Bill No. 810 for cleanup of Virginia's waters. Ms. Jennings commented that the results from a recent professionally administered poll revealed that Virginia citizens consider pollution of the Chesapeake Bay and the waters of the Commonwealth to be a serious problem, more of a problem than the economy, public safety, education, and taxes. Ms. Jennings stated that there is a need for a stable, consistent funding source for cleanup of the Bay. Ms. Jennings indicated that any new tax or fee that may be imposed for cleanup of the Bay should provide an exemption for low-income households and that the collection of the tax or fee be as administratively simple as possible.

She concluded by saying that Virginians are willing to pay their share of the bill for bringing the Chesapeake Bay back to health.

#### Next Meeting

The next meeting of the joint subcommittee will be July 20 at 10:00 a.m. in the General Assembly Building in Richmond.