

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)

July 20, 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 second meeting on July 20, 2005.

The following members of the Joint Subcommittee were present: 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; and Lindsay Potts, Governor's Fellow, as the designee for The Honorable Robert S. Bloxom, ex officio.

The meeting began with an overview by staff of highpoints from the first meeting, and a preview of the second meeting.

Next, Russell W. Baxter, Assistant Secretary of Natural Resources for Chesapeake Bay Coordination, presented a summary of the Report of the Governor's Commission on Natural Resources Funding that was made to Governor Warner on October 9, 2003. Some of the findings of the Commission included that: (i) additional funding is needed and such will result in measurable environmental improvements and positive economic activity, and (ii) the focus should be on water quality and land conservation. The Commission recommended that the level of general fund support must increase, but recognized that general funds were likely to be insufficient. Accordingly, the Commission recommended that new sources of dedicated revenue be explored that meet certain criteria including: (i) nexus between source of funds and resource, (ii) ease of collection, (iii) breadth of applicability, and (iv) feasibility.

Based on these criteria, the Commission's consensus recommendations for additional revenue were: (i) a water utility fee of \$2.00 per month that would raise approximately \$46 million annually, and (ii) a document recording fee of \$10 per document that would raise approximately \$20 million annually. The Commission recommended that the revenue from these fees be deposited into a newly established Virginia Natural and Historical Resources Fund.

Mr. Baxter then presented a summary of the cost to the Commonwealth to clean up Virginia's waters. Specifically, he stated that the state's share of the cost to clean up the Chesapeake Bay and its tributaries for the period 2005-2010 would be about \$1.74 billion, and the state's share of the cost to clean up Virginia's southern rivers would be about \$600 million, for a total of \$2.34 billion.

The next speaker, Ann Swanson, Executive Director of the Chesapeake Bay Commission, presented the 6 most cost-effective strategies for reducing nutrient and sediment pollution in the Chesapeake Bay as determined by her Commission. These strategies are: (i) wastewater treatment plant upgrades, (ii) traditional nutrient management (prescribing the use and timing of nutrients in manure and commercial fertilizer to reduce excess application while assuring no loss of yield), (iii) conservation tillage (reducing erosion and nutrient runoff by planting crops with minimal cultivation while retaining cover crops and crop residue that covers a minimum of 30% of the field), (iv) cover crops (consuming excess nutrients by planting small grain crops in the fall that are not fertilized and are killed or plowed under in the spring), (v) diet and feed adjustments (adding feed additives to increase animals' absorption of nutrients and thereby reducing nutrients excreted in manure), and (vi) enhanced nutrient management (reducing nutrients applied to cropland by an additional 15%). The first 4 of these strategies can be implemented in the short-term, while the other two will take more time.

Ms. Swanson said that upgrades to wastewater treatment plants constitute the single most beneficial nutrient reduction practice, delivering greater nitrogen and phosphorous reductions than the five agricultural-related strategies combined.

She stated that, in addition to the costs presented by Mr. Baxter, other costs will be ongoing, with needs extending far beyond 2010 because, for example: (i) sewage treatment plants have a 20-year design life; and (ii) cover crops must be purchased every year.

As a result, Ms. Swanson concluded that establishing a significant, long-term dedicated funding source is the only way to remove Virginia's waters from the Federal Dirty Waters List and restore the Bay.

Next, Robert M. Summers, Director, Water Management Administration, Maryland Department of the Environment, described Maryland's two major programs to clean up its waters and the funding for them. The first program is the Biological Nutrient Removal (BNR) Program, which called for upgrades to 66 large sewage treatment plants to reduce nitrogen levels in discharge waters to 8 mg/liter. The majority of the plants have been upgraded resulting in (from 1985 levels) a 52% reduction in nitrogen discharged, and a 63% reduction in phosphorous discharged. The total state and local cost of the program is estimated at \$600 million, with the state funding its portion through state general obligation bonds.

The second program involves the recent creation of the Bay Restoration Fund that will permit Maryland to achieve over 1/3 of the necessary additional nutrient reductions by: (i) further upgrading wastewater treatment plants with Enhanced Nutrient Removal Facilities, (ii) upgrading certain septic systems, and (iii) implementing cover crops on agricultural land. Funding for the wastewater treatment plants comes from a newly imposed \$2.50 per month per household

surcharge on sewer bills that is estimated to generate \$60 million annually. This revenue will be used to back over \$750 million in revenue bonds. Funding for septic tank upgrades and for cover crops comes from a new (beginning October 1, 2005) \$30 annual fee on septic tank users that is estimated to generate \$12.6 million per year.

The next speaker, Joseph H. Maroon, Director of the Virginia Department of Conservation and Recreation (DCR), described DCR's non-point source programs and strategies for cleaning up Virginia's waters. His Department's programs focus on agricultural nutrient reductions because: (i) the General Assembly requires such focus, (ii) agricultural sources contribute the largest amount of phosphorous (41%) and the second most amount of nitrogen (29%) to the Bay and Virginia's tributaries, and (iii) they are among the most cost-effective measures.

He briefly described the major agricultural programs that included cover crops, continuous no-till systems, nutrient management planning, riparian forest buffers, and animal waste control facilities.

Mr. Maroon said that obtaining the necessary results in the agricultural programs will require, among other things (i) long-term substantial funding, and (ii) a change in DCR's traditional strategy of "education/demonstration" to "implementation. He emphasized that inconsistent funding from year to year ("boom or bust") does not permit the necessary continuity of state/local staffing, and does not permit farmers to plan for the future. He concurred with the itemized costs presented by Mr. Baxter for agricultural programs (see chart on page 12 of Mr. Baxter's handout under "Materials.")

Mr. Maroon described how DCR's practices are generally closely aligned with the Chesapeake Bay Commission's most cost-effective strategies.

The final speaker, Robert Burnley, Director of the Virginia Department of Environmental Quality (DEQ), described Virginia's point source nutrient control strategy for the Chesapeake Bay Watershed. The strategy is a combination of (i) Virginia's Tributary Strategies that define the necessary control actions, (ii) Point Source Regulations that will be developed by the State Water Control Board to govern the point source reduction programs, (iii) the Chesapeake Bay Watershed Nutrient Credit Exchange Program that will permit point-source dischargers to acquire point-source offsets or to purchase credits from other dischargers who have earned the credits by exceeding their goals, and (iv) the Water Quality Improvement Fund (WQIF) that will be used to provide grants to the 125 significant treatment plants for upgrades. Mr. Burnley said that the WQIF has \$65.7 million in available funds for FY 06, but needs \$500 million more for the upgrades.

Mr. Burnley concluded by explaining that Virginia's point source strategies are consistent with the Chesapeake Bay Commission's most cost-effective strategies.

The joint subcommittee's Internet web page is at:

<http://dls.state.va.us/statewaters.htm>

Next Meeting

The next meeting of the joint subcommittee will be September 28 and 29 at Port Isobel Island, Chesapeake Bay.