



Chesapeake Bay Commission

Policy for the Bay

Dedicated Water Quality Funding **An Overview Prepared for Pennsylvania Legislative Committee Leaders**

Introduction

As of 2014, \$127 million was available annually in Pennsylvania for water quality improvement statewide. This number is shrinking as reductions are made to Growing Greener and the Chesapeake Bay Watershed Initiative is no longer available through USDA. As funding decreases, the need continues to grow. A 2013 Penn State study estimated the Bay-only need in PA to be \$378 million. In FY16, applications from Pennsylvania's farmers to the USDA Environmental Quality Incentives Program outpaced available funds by more than 4:1 (\$100 million in request v. \$20 million available), with 65% of the unmet need coming from the Bay watershed.

There are more than 19,000 miles of streams in the Commonwealth that do not meet water quality standards, and the number of impaired waters in Pennsylvania leads the nation, more than double the number two state of Michigan. Pennsylvania also faces backstop actions from EPA due to its slow progress in meeting reduction goals of the Chesapeake Bay Total Maximum Daily Load (TMDL).

In contrast, other states in the Bay watershed are on track under the TMDL, thanks in part to robust dedicated state funding sources for water quality improvement. Here is a summary of Maryland's and Virginia's programs.

MARYLAND

Bay Restoration Fund

Enabling Legislation: Md. ENVIRONMENT Code Ann. § 9-1605.2 (enacted 2004, amended 2012)

Sources of Revenue: \$5/month/household in Bay watershed (up from \$2.50 prior to 2012); \$2.50/month/household outside of Bay watershed; bond proceeds

5-year history of funding:

FY11: \$69 M
FY12: \$70M
FY13: \$129 M
FY14: \$139 M
FY 15: \$139 M

Eligible projects: Funds collected from public sewer users support wastewater treatment plant and conveyance system upgrades; 60% of funds collected from septic users support septic upgrades; 40% of funds collected from septic users support cover crops under the Maryland Agricultural Cost Share Program (MACS). Stormwater projects will be eligible beginning in 2018.

Chesapeake Bay 2010 Trust Fund

Enabling Legislation: Md. NATURAL RESOURCES Code Ann. § 8-2A-02 (enacted 2007 Special Session, with subsequent amendments)

Sources of Revenue: General Fund appropriations; 55% of sales and use tax revenue from short-term vehicle rentals; 2.3% of motor fuel tax revenue; Bond proceeds

5-year history of funding:

FY12: \$52.8 M
FY13: \$62.8 M
FY14: \$68.0 M
FY15: \$36.5 M
FY16: \$39.4 M

Eligible projects: Non-point source water quality restoration, including MACS.

VIRGINIA

Water Quality Improvement Fund (WQIF)

Enabling Legislation: Code of Virginia § 10.1-2128 (enacted in 1997 with subsequent amendments)

Source(s) of Revenue: 10% of general fund surplus and 10% of unrestricted or uncommitted general fund balances; bond proceeds

5-year history of funding:*

FY13: \$87.57 M

FY14: \$106.00 M

FY17: \$59.00 M

Eligible Projects: Wastewater treatment plant upgrades in the Chesapeake Bay watershed; “Natural Resource Commitment Fund,” a sub-fund of the WQIF (see below).

* Funding is not available every year. Over the past decade, state investments in wastewater treatment plant upgrades in the Chesapeake Bay watershed have exceeded \$800 million.

Natural Resource Commitment Fund (NRCF)

Enabling Legislation: Code of Virginia § 10.1-2128.1 (enacted in 2008 with subsequent amendments)

Source(s) of revenue: Water Quality Improvement Fund; one-half of \$20 real estate recordation fee

5-year history of funding: Cost share levels vary significantly year to year with annual investments ranging from \$10-28 million. For FY17, an historic investment of \$62 million was made to the NRCF, with \$20 million dedicated to livestock stream exclusion.

Eligible projects: Technical assistance funding to local Soil and Water Conservation Districts and cost share funding for farmers implementing agricultural BMPs. Cost share is managed through the Virginia Agricultural Cost Share BMP Program.

Agricultural BMP Tax Credit Program

Enabling Legislation: Code of Virginia § 58.1-339.3 (enacted in 1996 with subsequent amendments)

Source(s) of revenue: refundable tax credit

5-year history of tax credits issues (no statewide maximum or cap):

FY11: \$981,519

FY12: \$1.39 M

FY13: \$1.07 M

FY14: \$883,246

FY15: \$642,646

Eligible projects: a tax credit of 25% of the first \$70,000 of the taxpayer’s BMP cost, not to exceed \$17,500 that is refundable if the amount of the credit exceeds the taxpayer’s liability.

Stormwater Local Assistance Fund

Enabling Legislation: state budget language and Code of Virginia § 62.1-44.15:29.1 (enacted 2004 with subsequent amendments)

Source(s) of revenue: primarily bond proceeds but can include general fund appropriations

5-year history of funding:

FY14: \$35 M

FY15: \$20 M

FY16: \$5 M

FY17: \$20 M

Eligible projects: 50/50 matching grants to local governments for planning, design and implementation of stormwater management projects that address cost efficiency and commitments related to reducing water quality pollutant loads.