2026 Special Session I

# Budget Bill - HB30 (Enrolled)

Bill Order » Office of Natural and Historic Resources » Item 368

Department of Environmental Quality

| Item 368 | First Year - FY2027 | Second Year - FY2028 |
|---|---|---|
| **Environmental Financial Assistance (51500)** | **$512,954,018** | **$66,890,865** |
| Financial Assistance for Environmental Resources Management (51502) | $120,464,259 | $11,842,731 |
| Virginia Water Facilities Revolving Fund Loans and Grants (51503) | $31,604,757 | $23,588,877 |
| Financial Assistance for Coastal Resources Management (51507) | $1,924,500 | $1,924,500 |
| Litter Control and Recycling Grants (51509) | $4,200,000 | $4,200,000 |
| Virginia Water Quality Improvement Fund (51510) | $329,425,745 | $0 |
| Petroleum Tank Reimbursement (51511) | $25,334,757 | $25,334,757 |
| Fund Sources: | | |
| General | $451,517,269 | $5,454,116 |
| Trust and Agency | $25,334,757 | $25,334,757 |
| Dedicated Special Revenue | $28,355,097 | $28,355,097 |
| Federal Trust | $7,746,895 | $7,746,895 |

Authority: Title 10.1, Chapters 11.1, 14, 21.1, and 25 and Title 62.1, Chapters 3.1, 22, 23.2, and 24, Code of Virginia.

A. To the extent available, the authorization included in Chapter 781, 2009 Acts of Assembly, Item 368, paragraph E, is hereby continued for the Virginia Public Building Authority to issue revenue bonds in order to finance Virginia Water Quality Improvement Grants, pursuant to Chapter 851, 2007 Acts of Assembly.

B.1. Grants awarded from the Stormwater Local Assistance Fund, as established in §62.1-44.15:29.1, Code of Virginia shall be used only for the acquisition of certified nonpoint nutrient credits and capital projects meeting all pre-requirements for implementation, including but not limited to: i) new stormwater best management practices; ii) stormwater best management practice retrofits; iii) stream restoration; iv) low impact development projects; v) buffer restoration; vi) pond retrofits; and vii) wetlands restoration. Such grants shall be in accordance with eligibility determinations made by the State Water Control Board under the authority of the Department.

2. Out of amounts in this Item, $43,494,528 the first year from the general fund is provided for deposit in the Stormwater Local Assistance Fund.

C. Out of such funds available in this Item, the Department shall provide funding to the Virginia Geographic Information Network in an amount necessary to implement statewide digital orthography to improve land coverage data necessary to assist localities in planning and implementing stormwater management programs. As part of this authorization, the Department shall also include data to update prior LIDAR surveys of elevations along coastal areas to support activities related to management of recurrent coastal flooding.

D. Out of the amounts appropriated for Financial Assistance for Environmental Resources Management, $3,292,479 the first year and $3,292,479 the second year from federal funds is provided to implement stormwater management activities.

E. The Auditor of Public Accounts shall include in the Specifications for Audits of Counties, Cities, and Towns regulations for all local governments establishing a utility or enacting a system of service charges to support a local stormwater management program pursuant to § 15.2-2114, Code of Virginia, a requirement to ensure that each impacted local government is in compliance with the provisions of § 15.2-2114 A., Code of Virginia. Any such adjustment to the Specifications for Audits of Counties, Cities, and Towns regulations shall be exempt from the Administrative Process Act and shall be required for all audits completed after July 1, 2014.

F. Out of the amounts in this Item, $8,015,880 the first year from the general fund is provided for the Department to meet matching requirements corresponding to anticipated federal funding available through the Virginia Clean Water Revolving Loan Fund as a result of the Infrastructure Investment and Jobs Act.

G.Grantee owners of Enhanced Nutrient Removal Certainty (ENRC) Program and other Water Quality Improvement Fund (WQIF) projects subject to a grant agreement with the Department shall submit a forecast of projected quarterly grant disbursements covering each quarter of the current fiscal year and the next fiscal year thereafter. The Department shall compile the grantee-supplied forecasts of projected quarterly grant disbursements and compare expected disbursements to available appropriations to provide advance notice of any potential shortfall. The Department shall submit each forecast to the Chairs of the House Appropriations Committee and the Senate Finance and Appropriations Committee on a quarterly basis.

H. From amounts in this Item, $140,550,000 the first year from the general fund is provided for deposit into the WQIF. This amount is provided for the Hampton Roads Sanitation District Enhanced Nutrient Removal Certainty Program projects.

I.1. The Department shall continue to conduct an annual WQIF needs assessment in accordance with §10.1-2134.1, Code of Virginia, to determine the expected need for WQIF grant funds for a period of five fiscal years. The Department shall complete the WQIF needs assessment no later than June 30 of each year beginning with the June 30, 2027 assessment.

2. By January 1, 2027, the Department shall establish an annual WQIF solicitation period for receipt of grant applications. The application process shall be designed to assist the Department in determining total project costs, WQIF eligible costs, estimated WQIF grant amount, other planned funding sources, project readiness, and estimated project implementation and grant disbursement schedules. Beginning with the annual WQIF solicitation in calendar year 2028, the solicitation process shall be limited to grant applications for eligible projects that were reported to the Department in the preceding calendar year or a prior year as part of the annual WQIF needs assessment pursuant to §10.1-2134.1, Code of Virginia.

3. By October 1, 2026, and annually thereafter, the Department shall report to the Governor and the Chairs of the House Appropriations and Senate Finance and Appropriations Committees the amount of (a) funds expected to be requested by eligible applicants for WQIF projects, by fiscal year, for active executed grant agreements, for pending grant applications, and for anticipated grant applications based on the WQIF needs assessment, (b) the amount of previously appropriated funds that remain available to meet such requests, and (c) the amount of additional funds, by fiscal year, needed to meet such requests. For each project, the report shall identify project type and eligibility under §62.1-44.19:14 G (Enhanced Nutrient Removal Certainty Program), §10.1-1186.01 B, and §10.1-2131.

J. Notwithstanding § 62.1-44.19:14 G. 1., Code of Virginia, the compliance schedule deadline for the Spotsylvania Co.-FMC WWTF and Spotsylvania Co.-Massaponax WWTF projects shall be January 1, 2027, and for the Fredericksburg WWTF project shall be January 1, 2030. For each compliance year from January 1, 2026, until such

deadline that each project does not achieve the nutrient removal technology concentration specified in § 62.1-44.19:14 G. 1., Code of Virginia, the facility owner shall be responsible for acquiring sufficient point source credits to comply with its total nitrogen and total phosphorus waste load allocations applicable to that compliance year. In addition, for the Fredericksburg WWTF project, the City of Fredericksburg shall commence construction by July 1, 2025, report its progress to the Department on February 1 and August 1 each year until completion, and place nutrient removal technology in service as soon as practical prior to January 1, 2030. By July 1, 2025, or as soon as possible thereafter, the Department of Environmental Quality shall (a) modify the Virginia Pollutant Discharge Elimination System permits for each facility consistent with the deadlines and requirements of this paragraph and (b) amend any existing water quality improvement agreement pursuant to § 10.1-2131, Code of Virginia, for each project in a manner consistent with the requirements and deadlines of this paragraph.

K. The authorization of $20,000,000 from the general fund for a pay-for-outcomes pilot program in the Chesapeake Bay Watershed provided in Item 365, paragraph L, Chapter 725, 2025 Acts of Assembly shall continue, including all conditions set forth in the prior authorization. Any balances from this amount that remain unexpended at year-end shall not revert to the general fund but shall be carried forward and reappropriated.

L. The Department shall provide technical assistance to the City of Bristol in resolving ongoing health, environmental, and quality of life issues with its landfill and to facilitate a long-term plan for the operational status of the landfill following the completion of mitigation efforts.

M. Out of the amounts in this Item, $50,000,000 the first year from the general fund is provided to the City of Richmond to pay a portion of the costs of its combined sewer overflow control project. Any balances for the purposes specified in this paragraph which are unexpended at year-end shall not revert to the general fund but shall be carried forward and reappropriated.

N. Out of the amounts in this item, $1,000,000 the first year from the general fund is provided for the County of Prince William to assist with the connection of Bristow Manor to the Prince William County wastewater collection system.

O. All agencies or authorities of the Commonwealth with responsibilities identified in § 10.1-1330 of the Code of Virginia, shall take all actions necessary to rejoin the Regional Greenhouse Gas Initiative, as defined in § 10.1-1329 of the Code of Virginia, and resume participation therein. Such required actions include (i) repealing or otherwise nullifying the final regulation titled 9VAC5-140, Regulation for Emissions Trading Programs, published in the Virginia Register of Regulations on July 31, 2023, no later than 90 days from the effective date of this act; (ii) reissuing or otherwise reinstating the final regulation titled 9VAC5-140, Regulation for Emissions Trading Programs, published in the Virginia Register of Regulations on August 3, 2020, including any amendments necessary to account for the time such regulation was not in effect, no later than 90 days from the effective date of this act; (iii) no later than January 1, 2027, updating, amending, or revising the regulation to align with the latest Regional Greenhouse Gas Initiative program review and revised model rule; (iv) entering into a contractual agreement with the Regional Greenhouse Gas Initiative, Inc. to rejoin the program, which the Director shall sign, and selling the allowances generated by the reissued regulatory program through auctions run by the Regional Greenhouse Gas Initiative, Inc.; (v) transferring auction proceeds, and any interest thereon, in accordance with subsection B of § 10.1-1330 of Code of Virginia with the responsible agencies disbursing such funds as expeditiously as possible; and, (vi) providing annual reporting in accordance with subsection C of § 10.1-1330 of Code of Virginia. Any regulatory actions necessary to effectuate the requirements of this item are hereby exempted from the provisions of the Administrative Process Act (§ 2.2-4000 et seq. of the Code of Virginia). The Department of Environmental Quality shall complete such regulatory actions without further action by the State Air Pollution Control Board.

P. Any Enhanced Nutrient Removal Certainty (ENRC) Program priority project with a completion date no later than January 1, 2030, pursuant to § 62.1-44.19:14 G, Code of Virginia, or pursuant to Chapter 725 of the Acts of Assembly of 2025 may apply Water Quality Improvement Fund (WQIF) grant funds to costs to complete the ENRC

Program priority project that are not WQIF eligible costs up to the amount of any American Rescue Plan Act (ARPA) grant funds that the ENRC Program priority project documents have been used to pay for WQIF eligible costs on or before December 31, 2026. The ENRC Program priority project shall not (i) charge any single expenditure to more than one grant, (ii) receive grant funds in excess of the total costs that have been incurred as of the time reimbursement is requested from the Department, (iii) receive WQIF reimbursement at any point during the project in excess of the amount of WQIF eligible costs that have been incurred at the time reimbursement is requested, or (iv) receive total reimbursement from the WQIF in excess of the total approved WQIF grant amount.

Q. Of the amounts in this Item, $3,500,000 the first year from the general fund is provided to King George County Service Authority to implement the needed repairs to the Dahlgren Wastewater Treatment Plant Facility as identified in the Condition Assessment Report completed in June 2025.

R.1. Out of the amounts in this Item, $10,627,000 the first year from the general fund is provided to the Department to, in collaboration with Chesterfield County, assist with resolving ongoing environmental issues at the Shoosmith Landfill, including: i) supporting operations and monitoring, including leachate testing and collection, hauling, and treatment and gas management; and ii) completing closure of the facility. The Department may: disburse such funds as reimbursements to the trustee for the landfill bankruptcy estate, contract directly with any private contractor or local government to fulfill such activities, or use such funds as reimbursement for any successor entity to the bankruptcy trustee. However, the Department is not obligated to disburse such funds, and at all times such funds shall be deemed the sole property of the Department. Any balances from this amount that remain unexpended at year-end shall not revert to the general fund but shall be carried forward and reappropriated. Notwithstanding the provisions of § 10.1-2500 through 2503, Code of Virginia, the Department is authorized to transfer up to $3,000,000 the first year from the balances of the Virginia Environmental Emergency Response Fund for the purposes enumerated in this paragraph should the general fund amount provided be exhausted.

2. The Secretary of Natural Resources, in consultation with the Secretary of Finance, Department of Environmental Quality, and Department of Planning and Budget, shall evaluate options and funding mechanisms to resolve ongoing issues associated with closing the Shoosmith Landfill. The evaluation shall include (i) determining the appropriate level of state and Chesterfield County resources to address immediate and future costs associated with resolving environmental issues at Shoosmith Landfill; (ii) other funding options for response activities to include federal funding opportunities; and, (iii) legislative and regulatory options to ensure sufficient oversight of landfills, including a formal, regulatory review of the finance assurance criteria and allowable financial mechanisms for safely closing landfills and landfill inspection criteria. The Secretary shall submit a written report detailing its evaluation and recommendations to the Chairs of the Senate Finance and Appropriations and House Appropriations Committees, and the Chairs of the Senate Agriculture, Conservation, and Natural Resources and House Agriculture, Chesapeake, and Natural Resources Committees no later than October 5, 2026.

S. From amounts in this Item, $188,870,745 the first year from the general fund is provided for deposit into the Water Quality Improvement Fund for matching grants for eligible wastewater projects for Chesapeake Bay nutrient reductions under §§ 10.1-1186.01.F., 10.1-2131.C., and 62.1-44.19:14.G.1., Code of Virginia.