

**Department of Planning and Budget**  
**2005 Fiscal Impact Statement**

**1. Bill Number** SB 1275

**House of Origin**    ☐ Introduced    ☐ Substitute    ☒ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron**        Watkins

**3. Committee** Agriculture, Conservation and Natural Resources

**4. Title**            Chesapeake Bay Watershed Nutrient Credit Exchange Program

**5. Summary/Purpose:** The bill would establish a nutrient exchange (trading) and offset program that would allow point source dischargers to achieve and maintain compliance with the load cap allocations for nitrogen and phosphorous delivered to the Chesapeake Bay and its tidal tributaries. The State Water Control Board would be required to issue a general permit under the Virginia Pollutant Discharge Elimination System to eligible point source dischargers of nitrogen and phosphorous. All dischargers would be covered under the permit. The facilities under the permit would be identified together with their individual load cap allocations and trading ratios. New and expanding facilities would have to offset their entire load by trading or obtaining other offsets. The trading association authorized by the bill would provide the mechanism by which those permittees under the general permit would be matched with nutrient trading partners. The subsequent trades would be completed and credited without permit modifications. For facilities that exceed their allocated cap, trading and mitigation fees would be available to maintain compliance. Under the provisions of the bill, trading and offsets cannot result in violations of local water quality.

**6. Fiscal impact:** There would be some additional costs to the Department of Environmental Quality associated with the provisions of this bill. However, any such costs could be funded from existing resources.

**7. Budget amendment necessary:** No.

**8. Fiscal implications:** See Item 6.

**9. Specific agency or political subdivisions affected:** Department of Environmental Quality.

**10. Technical amendment necessary:** No.

**11. Other comments:** None.

**Date:** 02/10/2005 / mar

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cc: Secretary of Natural Resources