

## Department of Planning and Budget 2013 Fiscal Impact Statement

**1. Bill Number:** SB1095

<b>House of Origin</b>	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron:** Hanger

**3. Committee:** Finance

**4. Title:** Bond issuance for wastewater treatment facilities.

**5. Summary:** Authorizes the Virginia Public Building Authority (VPBA) to issue an additional \$179 million in bonds for Nutrient Removal Grants to fund or reimburse capital costs for the design and installation of nutrient removal technology at eligible wastewater treatment facilities to comply with the Chesapeake Bay total maximum daily load (TMDL) and the Watershed Implementation Plan, and \$78 million in bonds for grants to the Cities of Lynchburg and Richmond to pay a portion of the capital costs of their combined sewer overflow (CSO) control projects. The bonds issued for Nutrient Removal Grants would continue funding for projects at facilities under existing signed Water Quality Improvement Fund agreements and at additional eligible facilities that did not receive moneys from the original bonds authorized in 2007.

Additionally, this bill modifies the structure of the Combined Sewer Overflow Matching Fund. Currently, this fund matches federal funds for the purposes of providing grants to localities for CSO projects. Under the provisions of the bill, moneys in the fund may be used to match federal funds, but the fund's use is no longer limited to that purpose.

**6. Budget Amendment Necessary:** No, not in the current biennium. See item 8, below.

**7. Fiscal Impact Estimates:** Preliminary. See item 8, below.

**8. Fiscal Implications:** The proposed legislation authorizes VPBA to issue an additional \$179 million in bonds for Nutrient Removal Grants from the Water Quality Improvement Fund to certain publicly owned sewage treatment facilities to fund a portion of the costs of design and installation of 85 of the 89 projects listed in Chapters 851 and 900, 2007 Acts of Assembly, and other eligible nonsignificant dischargers (\$101 million), and for CSO control projects in the Cities of Lynchburg and Richmond (\$78 million). Under the provisions of this bill, none of the additional \$179 million in bonds could be issued prior to July 1, 2013 (FY 2014).

The proceeds of the \$78 million in bonds will be deposited into the Combined Sewer Overflow Matching Fund. Thirty-six percent of such net proceeds will be provided to the City of Lynchburg and 64 percent will be provided to the City of Richmond.

The bonds authorized by this bill will constitute tax-supported debt of the Commonwealth and as such have an impact on the Commonwealth's debt capacity. Language in the bill specifies that the additional bonds authorized in this bill will not be issued prior to July 1, 2013. The amount of debt service required will depend on when the bonds are issued. If all of the \$179 million in bonds provided for in this bill are issued in the fall of FY 2014, the annual debt service on those bonds would be approximately \$13.16 million and would be required for 20 years beginning in FY 2015.

- 9. Specific Agency or Political Subdivisions Affected:** Department of the Treasury, Treasury Board, Virginia Public Building Authority, Department of Environmental Quality (DEQ), State Water Control Board, Virginia Resources Authority, Augusta County Service Authority, Town of Luray, Harrisonburg-Rockingham Regional Sewer Authority, City of Waynesboro, Town of Berryville, Town of Front Royal, Town of Mount Jackson, Stoney Creek Sanitary District, Town of Strasburg, Town of Woodstock, Frederick-Winchester Service Authority, Town of Purcellville, Loudoun County Service Authority, Town of Leesburg, Town of Round Hill, Prince William County Service Authority, Upper Occoquan Sewage Authority, Arlington County, Fauquier County Water and Sewer Authority, Alexandria Service Authority, Fairfax County, Stafford County, Town of Colonial Beach, King George County Service Authority, Town of Culpeper, Town of Orange, Rapidan Service Authority, Town of Warrenton, Spotsylvania County, City of Fredericksburg, Stafford County, Westmoreland County, Town of Tappahannock, Town of Warsaw, Reedville Sanitary District, Town of Kilmarnock, Caroline County, Hanover County, Hampton Roads Sanitation District, New Kent County, City of Buena Vista, City of Covington, Maury Service Authority, Alleghany County, Town of Amherst, City of Lynchburg, Rivanna Water and Sewer Authority, Town of Crewe, Town of Farmville, Henrico County, City of Hopewell, Chesterfield County, City of Richmond, South Central Wastewater Authority, Town of Cape Charles, Town of Onancock, Town of Tangier.

**10. Technical Amendment Necessary:** Yes.

Line 53, after "following" strike "85" and insert "84".

Line 103, insert "Broadway Regional WWTP                      Town of Broadway". This facility is located in the Shenandoah-Potomac basin, not the Eastern Shore.

Strike line 137.

Strike line 177.

Line 205, after July 1, strike "2012" and insert "2013".

- 11. Other Comments:** The Virginia Resources Authority administers and manages the Combined Sewer Overflow Matching Fund. The State Water Control Board may direct the distribution of grants from the fund to particular local governments. The Department of the

Treasury has concerns regarding the language in lines 205-212 requiring the bond proceeds be deposited in the fund. If the bond proceeds deposited to the fund are not immediately disbursed it can violate federal arbitrage restrictions. Federal arbitrage rules prohibit the excessive and premature issuance of tax-exempt bonds so that governments will not benefit from the investment of bond proceeds in income-producing securities.

There are 58 current signed agreements for the design/construction of nutrient reduction technology to meet Chesapeake Bay limits. These agreements total \$653 million in commitments. The Department of Environmental Quality (DEQ) is projecting a shortfall of \$12.0 million to fully fund existing grant commitments. Additionally, DEQ estimates that 10 new grants, totaling approximately \$122 million, will be signed over the next two years. Combined, the result will be a projected shortfall of \$134 million in commitments beyond FY 2017.

The projected shortfall, based on cash flow, through FY 2016 is \$101 million. HB800/1500, as introduced, includes authorization for an additional \$101 million in bonds (beyond the \$250 authorized in Chapter 851 and 900 of the Acts of Assembly of 2007) for Water Quality Improvement Fund Grants.

SB494, as introduced, in the 2012 Session, and HB1180, as introduced in the 2012 Session, authorize VPBA to issue an additional \$300 million in bonds for Water Quality Improvement Fund Grants. The Substitute for SB494 authorizes VPBA to issue an additional \$378 million in bonds - \$300 million for Water Quality Improvement Fund Grants and \$78 million for combined sewer overflow (CSO) projects in the Cities of Lynchburg and Richmond. SB800/HB1500, as introduced, also authorizes VPBA to issue \$59 million in bonds to support the Richmond and Lynchburg CSO projects

**Date:** 1/28/13

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