

## 1 VIRGINIA ACTS OF ASSEMBLY — CHAPTER

2 *An Act to amend and reenact §§ 10.1-603.24 and 10.1-603.25 of the Code of Virginia and to amend the*  
 3 *Code of Virginia by adding in Chapter 13 of Title 10.1 an article numbered 4, consisting of sections*  
 4 *numbered 10.1-1329, 10.1-1330, and 10.1-1331, relating to Clean Energy and Community Flood*  
 5 *Preparedness Act; fund.*

6 [H 981]  
 7 Approved

8 **Be it enacted by the General Assembly of Virginia:**

9 **1. That §§ 10.1-603.24 and 10.1-603.25 of the Code of Virginia are amended and reenacted and**  
 10 **that the Code of Virginia is amended by adding in Chapter 13 of Title 10.1 an article numbered 4,**  
 11 **consisting of sections numbered 10.1-1329, 10.1-1330, and 10.1-1331, as follows:**

12 Article 1.3.

13 Virginia ~~Shoreline Resiliency~~ *Community Flood Preparedness Fund.*

14 **§ 10.1-603.24. Definitions.**

15 As used in this article, unless the context requires a different meaning:

16 "Authority" means the Virginia Resources Authority.

17 "Cost," as applied to any project financed under the provisions of this article, means the total of all  
 18 costs incurred by the local government as reasonable and necessary for carrying out all works and  
 19 undertakings necessary or incident to the accomplishment of any project.

20 "Department" means the Virginia Department of ~~Emergency Management Conservation and~~  
 21 *Recreation.*

22 "*Flood prevention or protection*" means the construction of hazard mitigation projects, acquisition of  
 23 land, or implementation of land use controls that reduce or mitigate damage from coastal or riverine  
 24 flooding.

25 "*Flood prevention or protection study*" means the conduct of a hydraulic or hydrologic study of a  
 26 flood plain with historic and predicted floods, the assessment of flood risk, and the development of  
 27 strategies to prevent or mitigate damage from coastal or riverine flooding.

28 "Fund" means the Virginia ~~Shoreline Resiliency~~ *Community Flood Preparedness Fund created*  
 29 *pursuant to § 10.1-603.25.*

30 "Local government" means any county, city, town, municipal corporation, authority, district,  
 31 commission, or political subdivision created by the General Assembly or pursuant to the Constitution of  
 32 Virginia or laws of the Commonwealth.

33 "*Low-income geographic area*" means any locality, or community within a locality, that has a  
 34 median household income that is not greater than 80 percent of the local median household income, or  
 35 any area in the Commonwealth designated as a qualified opportunity zone by the U.S. Secretary of the  
 36 Treasury via his delegation of authority to the Internal Revenue Service.

37 "*Nature-based solution*" means an approach that reduces the impacts of flood and storm events  
 38 through the use of environmental processes and natural systems. A nature-based solution may provide  
 39 additional benefits beyond flood control, including recreational opportunities and improved water  
 40 quality.

41 **§ 10.1-603.25. Virginia Community Flood Preparedness Fund; loan and grant program.**

42 ~~There shall be set apart a permanent and perpetual fund, to be known as the A. The Virginia~~  
 43 ~~Shoreline Resiliency Fund; consisting of such is hereby continued in the state treasury as a special~~  
 44 ~~nonreverting fund to be known as the Virginia Community Flood Preparedness Fund. The Fund shall be~~  
 45 ~~established on the books of the Comptroller. All sums that are designated for deposit in the Fund from~~  
 46 ~~revenue generated by the sale of emissions allowances pursuant to subdivision C 1 of § 10.1-1330, all~~  
 47 ~~sums that may be appropriated to the Fund by the General Assembly, all receipts by the Fund from the~~  
 48 ~~repayment of loans made by it to local governments, all income from the investment of moneys held in~~  
 49 ~~the Fund, and any other sums designated for deposit to the Fund from any source, public or private,~~  
 50 ~~including any federal grants and awards or other forms of assistance received by the Commonwealth~~  
 51 ~~that are eligible for deposit in the Fund under federal law, shall be paid into the state treasury and~~  
 52 ~~credited to the Fund. Interest earned on moneys in the Fund shall remain in the Fund and be credited~~  
 53 ~~to it. Any moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall~~  
 54 ~~not revert to the general fund but shall remain in the Fund. All loans and grants provided under this~~  
 55 ~~article shall be deemed to promote the public purposes of enhancing flood prevention or protection and~~  
 56 ~~coastal resilience. The Fund shall be administered by the Department as prescribed in this article. The~~

57 Department shall establish guidelines regarding the distribution of loans from the Fund and prioritization  
58 of such loans.

59 *B. Moneys in the Fund shall be used solely for the purposes of enhancing flood prevention or  
60 protection and coastal resilience as required by this article. Expenditures and disbursements from the  
61 Fund shall be made by the State Treasurer on warrants issued by the Comptroller upon written request  
62 signed by the Executive Director of the Authority. The Authority shall manage the Fund and shall  
63 establish interest rates and repayment terms of such loans as provided in this article. The Authority may  
64 disburse from the Fund its reasonable costs and expenses incurred in the management of the Fund.*

65 *C. The Fund shall be administered by the Department as prescribed in this article. The Department,  
66 in consultation with the Secretary of Natural Resources and the Special Assistant to the Governor for  
67 Coastal Adaptation and Protection, shall establish guidelines regarding the distribution and  
68 prioritization of loans and grants, including loans and grants that support flood prevention or protection  
69 studies of statewide or regional significance.*

70 *D. Localities shall use moneys from the Fund primarily for the purpose of ~~creating a low-interest~~  
71 ~~loan program to help residents and businesses implementing flood prevention and protection projects and~~  
72 ~~studies in areas~~ that are subject to recurrent flooding as confirmed by a locality-certified floodplain  
73 manager. Moneys in the Fund may be used to mitigate future flood damage *and to assist inland and*  
74 *coastal communities across the Commonwealth that are subject to recurrent or repetitive flooding. No*  
75 *less than 25 percent of the moneys disbursed from the Fund each year shall be used for projects in*  
76 *low-income geographic areas. Priority shall be given to projects that implement community-scale hazard*  
77 *mitigation activities that use nature-based solutions to reduce flood risk.**

78 *E. Any locality is authorized to secure a loan made through such a ~~low-interest loan program~~  
79 ~~pursuant to this section~~ by placing a lien up to the value of the loan against any property that benefits  
80 from the loan. Such a lien shall be subordinate to each prior lien on such property, except prior liens for  
81 which the prior lienholder executes a written subordination agreement, in a form and substance  
82 acceptable to the prior lienholder in its sole and exclusive discretion, that is recorded in the land records  
83 where the property is located.*

84 *F. Any locality using moneys in the Fund to provide a loan for a project in a low-income geographic  
85 area is authorized to forgive the principal of such loan. If a locality forgives the principal of any such  
86 loan, any obligation of the locality to repay that principal to the Commonwealth shall not be forgiven  
87 and such obligation shall remain in full force and effect. The total amount of loans forgiven by all  
88 localities in a fiscal year shall not exceed 30 percent of the amount appropriated in such fiscal year to  
89 the Fund by the General Assembly.*

90 **Article 4.**

91 **Clean Energy and Community Flood Preparedness Act.**

92 **§ 10.1-1329. Definitions.**

93 *As used in this article, unless the context requires a different meaning:*

94 *"Allowance" means an authorization to emit a fixed amount of carbon dioxide.*

95 *"Allowance auction" means an auction in which the Department or its agent offers allowances for  
96 sale.*

97 *"DHCD" means the Department of Housing and Community Development.*

98 *"DMME" means the Department of Mines, Minerals and Energy.*

99 *"Energy efficiency program" has the same meaning as provided in § 56-576.*

100 *"Fund" means the Virginia Community Flood Preparedness Fund created pursuant to § 10.1-603.25.*

101 *"Housing development" means the same as that term is defined in § 36-141.*

102 *"Regional Greenhouse Gas Initiative" or "RGGI" means the program to implement the memorandum  
103 of understanding between signatory states dated December 20, 2005, and as may be amended, and the  
104 corresponding model rule that established a regional carbon dioxide electric power sector cap and trade  
105 program.*

106 *"Secretary" means the Secretary of Natural Resources.*

107 **§ 10.1-1330. Clean Energy and Community Flood Preparedness.**

108 *A. The provisions of this article shall be incorporated by the Department, without further action by  
109 the Board, into the final regulation adopted by the Board on April 19, 2019, and published in the  
110 Virginia Register on May 27, 2019. Such incorporation by the Department shall be exempt from the  
111 provisions of the Virginia Administrative Process Act (§ 2.2-4000 et seq.).*

112 *B. The Director is hereby authorized to establish, implement, and manage an auction program to sell  
113 allowances into a market-based trading program consistent with the RGGI program and this article. The  
114 Director shall seek to sell 100 percent of all allowances issued each year through the allowance  
115 auction, unless the Department finds that doing so will have a negative impact on the value of  
116 allowances and result in a net loss of consumer benefit or is otherwise inconsistent with the RGGI  
117 program.*

118 C. To the extent permitted by Article X, Section 7 of the Constitution of Virginia, the state treasury  
119 shall (i) hold the proceeds recovered from the allowance auction in an interest-bearing account with all  
120 interest directed to the account to carry out the purposes of this article and (ii) use the proceeds  
121 without further appropriation for the following purposes:

122 1. Forty-five percent of the revenue shall be credited to the account established pursuant to the Fund  
123 for the purpose of assisting localities and their residents affected by recurrent flooding, sea level rise,  
124 and flooding from severe weather events.

125 2. Fifty percent of the revenue shall be credited to an account administered by DHCD to support  
126 low-income energy efficiency programs, including programs for eligible housing developments. DHCD  
127 shall review and approve funding proposals for such energy efficiency programs, and DMME shall  
128 provide technical assistance upon request. Any sums remaining within the account administered by  
129 DHCD, including interest thereon, at the end of each fiscal year shall not revert to the general fund but  
130 shall remain in such account to support low-income energy efficiency programs.

131 3. Three percent of the revenue shall be used to (i) cover reasonable administrative expenses of the  
132 Department in the administration of the revenue allocation, carbon dioxide emissions cap and trade  
133 program, and auction and (ii) carry out statewide climate change planning and mitigation activities.

134 4. Two percent of the revenue shall be used by DHCD, in partnership with DMME, to administer  
135 and implement low-income energy efficiency programs pursuant to subdivision 2.

136 D. The Department, the Department of Conservation and Recreation, DHCD, and DMME shall  
137 prepare a joint annual written report describing the Commonwealth's participation in RGGI, the annual  
138 reduction in greenhouse gas emissions, the revenues collected and deposited in the interest-bearing  
139 account maintained by the Department pursuant to this article, and a description of each way in which  
140 money was expended during the fiscal year. The report shall be submitted to the Governor and General  
141 Assembly by January 1, 2022, and annually thereafter.

142 **§ 10.1-1331. Energy conversion or energy tolling agreements.**

143 If the Governor seeks to include the Commonwealth as a full participant in RGGI or another carbon  
144 trading program with an open auction of allowances, or if the Department implements the final carbon  
145 trading regulation as approved by the Board on April 19, 2019, (the Final Regulation) in order to  
146 establish a carbon dioxide cap and trade program that limits and reduces the total carbon dioxide  
147 emissions released by certain electric generation facilities and that complies with the RGGI model rule,  
148 then (i) the definition of the term "life-of-the-unit contractual arrangement" under the Final Regulation  
149 shall include any energy conversion or energy tolling agreement that has a primary term of 20 years or  
150 more and pursuant to which the purchaser is required to deliver fuel to the CO2 budget source or CO2  
151 budget unit and is entitled to receive all of the nameplate capacity and associated energy generated by  
152 such source or unit for the entire contractual period and (ii) any purchaser under an energy conversion  
153 or energy tolling agreement shall be responsible for acquiring any CO2 allowances required under the  
154 Final Regulation in relation to a CO2 budget source or CO2 budget unit that is subject to such  
155 agreement.

156 **2. That the costs of allowances purchased through a market-based trading program consistent with**  
157 **the provisions of Article 4 (§ 10.1-1329 et seq.) of Chapter 13 of Title 10.1 of the Code of Virginia**  
158 **as added by this act are deemed to constitute environmental compliance project costs that may be**  
159 **recovered by a Phase I Utility or Phase II Utility, as defined in subdivision A 1 of § 56-585.1 of**  
160 **the Code of Virginia, pursuant to subdivision A 5 e of § 56-585.1 of the Code of Virginia.**

161 **3. That any moneys in the Virginia Shoreline Resiliency Fund as created by Chapter 762 of the**  
162 **Acts of Assembly of 2016 shall remain in the Virginia Community Flood Preparedness Fund**  
163 **pursuant to § 10.1-603.25 of the Code of Virginia, as amended and reenacted by this act.**