



Commonwealth of Virginia

VIRGINIA DEPARTMENT OF ENVIRONMENTAL QUALITY


www.deq.virginia.gov

Stefanie K. Taillon
Secretary of Natural and Historic Resources

Michael S. Rolband, PE, PWD, PWS Emeritus
Director

To: **The Honorable L. Louise Lucas, Chair, Senate Finance and Appropriations Committee**
The Honorable Luke E. Torian, Chairman, House Appropriations Committee

Cc: **Clean Water Financing and Assistance Program (CWFAP) Staff**

From: **Michael Rolband, Director, DEQ** 

Date: **March 24, 2025**

Re: **2024 Special Session I Va. Acts Ch. 2 Item 365 I**
WQIF - Quarterly projected grant disbursements

Background and Purpose: All Water Quality Improvement Fund (WQIF) Grants are governed by a legally binding and enforceable grant agreement between the recipient and DEQ as required by Section 10.1-2130 of the Code of Virginia. The availability of grant funds in the WQIF for point source pollution control projects is subject to appropriation by the General Assembly and allocations made by the Secretary of Natural and Historic Resources. In the event of a shortfall, the Commonwealth is strongly committed to managing the WQIF to ensure full funding of all executed agreements and to following an equitable process for distribution of available funds among all grantees.

Item 365 I of the Commonwealth's budget, adopted during the 2024 General Assembly Special Session I, requires grantee owners of Enhanced Nutrient Removal Certainty (ENRC) Program and other Water Quality Improvement Fund projects to submit forecasts of projected quarterly grant disbursements. The full text of Item 365 I provides:

Grantee owners of Enhanced Nutrient Removal Certainty (ENRC) Program and other Water Quality Improvement Fund 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.

Summary of Grantee-Supplied Forecasts and Projected Quarterly Grant Disbursements:

Active WQIF Grant Agreements: The program currently has fourteen active WQIF grant agreements totaling \$281,630,671 in obligated funds. Of this obligated amount, projected cash flow needs of \$102,033,195 will be required for FY 2025, \$90,699,155 will be required for FY 2026, and \$31,234,696 will be required for FY 2027 through Quarter 2, totaling \$223,967,046. The WQIF fund balance is currently \$710,408,488, which is a sufficient amount to honor the cash flow needs for the fourteen active WQIF grant agreements.

Additional Information:Estimated Active WQIF Grant Agreement Amendments:

The amounts discussed above represent cash flow needs based on executed WQIF grant agreement obligations at the time of reporting. Previously, the South Central Wastewater Authority (SCWWA) received project bids that were well above the estimates utilized to execute the grant agreement. SCWWA has since rejected those bids and is revisiting the project scope and contract packaging. Legislation enacted as a result of actions taken during the 2023 General Assembly session, 2023 Va. Acts Chs. 177 and 178 (HB 1839 (Del. Taylor) and SB 963 (Sen. Morrissey)) extend SCWWA's project completion deadline to January 1, 2030. As a result of this legislation, the project costs and cash flow needs for SCWWA from the WQIF will likely increase and be distributed over a longer time horizon than the previous statutory deadline of January 1, 2026. The executed grant amount is currently \$85,373,055 and the estimated grant is expected to be \$158,368,866.50. The \$281,630,671 in total obligated funds is adjusted to include the additional costs mentioned above.

Future WQIF Grant Agreements:

The program currently has eight WQIF grant applications under evaluation. Executed grant agreements for these projects would add an estimated \$769,129,420 to the project cash flow need through FY 2027 – Quarter 2. It is important to note that some of these projects have not received construction bids to date and these grant amounts are estimates.

Total Estimated Cash Flow Need:

Utilizing the grantee-supplied forecasts and projected quarterly grant disbursements, and the future WQIF grant agreement amounts, minus the current WQIF fund balance, the total estimated cash flow need through FY 2027 – Quarter 2, is \$282,687,977 as detailed in Table 1.

Table 1: Total Estimated Cash Flow Needs Through FY27 Quarter 2	
Estimated Disbursements - Active Grants	\$223,967,046
Grants Under Evaluation	\$769,129,420
Subtotal	\$993,096,466
Fund Balance	(710,408,488)
TOTAL	\$282,687,978