



*Commonwealth of Virginia*

*VIRGINIA DEPARTMENT OF ENVIRONMENTAL QUALITY*

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**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 *m.rolband*

**Date:** June 12, 2025

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

**Background and Purpose:** 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 (14) active WQIF grant agreements, with \$111,270,501 remaining in total obligations. As of March 31, 2025, the WQIF fund balance was \$420,265,517, which is sufficient to meet these active WQIF grant agreements. These amounts represent cash flow needs based on executed WQIF grant agreement obligations at the time of reporting. As described in previous WQIF Quarterly Projection memos, the South Central Wastewater Authority received project bids that were well above the estimates utilized to execute the original grant agreement and the project costs

are expected to increase by \$72,995,812. As a result, the executed grant amount will be \$158,368,866 and the remaining obligations for the fourteen (14) active grant agreements will total \$184,266,313.

**Future WQIF Grant Agreements:**

The program currently has eight (8) WQIF grant applications under evaluation that, in total, would add an estimated \$860,477,256 to the projected cash flow need through FY27. This estimate includes three Hampton Roads Sanitation District (HRSD) projects that will become fully executed grant agreements within the next ninety (90) days. The HRSD projects include Boat Harbor, James River ANRI & SWIFT, and Nansemond ANRI, with grant eligible costs totaling \$764,147,808. Upon execution of the grant agreements, HRSD may begin submitting disbursement requests for project costs that have already been incurred, up to the aforementioned grant amount.

Three (3) of the eight (8) WQIF grants under evaluation are estimates as construction bids have not been received to date, with one (1) project agreement under public comment from May 1, 2025, through June 1, 2025. After that time, DEQ will execute the grant agreement for \$4,478,023 and the funds will become available to the grantee.

**Total Estimated Cash Flow Need:**

Based on the grantee-supplied forecast of projected quarterly grant disbursements, the future WQIF grant agreement estimates, and other projected WQIF contributions, payments, and refunds, the current WQIF fund balance is sufficient to meet projected needs through FY25; however, if the grantee-supplied forecast is fully realized, approximately \$99,095,871 and \$335,386,518 in additional funding is needed to meet the FY26 and FY27 projections, respectively, as detailed in Table 3.

Table 1. Fiscal Year 2025 WQIF Expenditures by Quarter					
	Q1	Q2	Q3	Q4	Total
Active Obligations	2,018,817	4,257,151	83,024,621	21,501,159	110,801,748
Grants Under Evaluation	-	-	-	4,478,023	4,478,023
<b>Total</b>	<b>2,018,817</b>	<b>4,257,151</b>	<b>83,024,621</b>	<b>25,979,182</b>	<b>115,279,771</b>

Table 2. Fiscal Year 2026 WQIF Forecasted Expenditures by Quarter					
	Q1	Q2	Q3	Q4	Total
Active Obligations	2,491,853	23,336,361	23,387,396	22,790,861	72,006,471
Grants Under Evaluation	252,031,994	252,031,994	58,655,874	58,655,874	621,375,736
<b>Total</b>	<b>254,523,847</b>	<b>275,368,355</b>	<b>82,043,270</b>	<b>81,446,735</b>	<b>693,382,207</b>

Table 3. Fund Balance based on Cash Flow Projections				
	FY25	FY26	F27	Total
Available Funding	307,784,060	394,286,336	(99,095,871)	307,784,060
GA Directed Funding	201,782,047	200,000,000	-	401,782,047
Grantee Supplied Forecasts	(110,801,748)	(72,006,471)	(1,667,150)	(184,475,369)
Grants Under Evaluation	(4,478,023)	(621,375,736)	(234,623,497)	(860,477,256)
<b>Net Balance</b>	<b>394,286,336</b>	<b>(99,095,871)</b>	<b>(335,386,518)</b>	<b>(335,386,518)</b>