

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 799

PRINTER NO. 1258

AMOUNT

\$1.5 Million - \$2.0 Million

FUND

General Fund

DATE INTRODUCED

June 23, 2017

PRIME SPONSOR

Senator Alloway

DESCRIPTION

Establishes the Pennsylvania Clean Water Procurement Program Act.

Establishes the Pennsylvania Clean Water Procurement Program to provide for the purchase of verified Total Maximum Daily Load (TMDL) nutrient credits from certified nutrient credit generators through a competitive bidding process.

The State Conservation Commission (Commission) shall publish in the Pennsylvania Bulletin the unmet TMDL requirements for the water year (defined as one calendar year beginning on October 1) and two subsequent water years. No later than 60 days following the publication, the Pennsylvania Infrastructure Investment Authority (PENNVEST) shall request RFPs from certified nutrient credit entities for future delivery of long-term verified nutrient credits for water years included in the notice. The length of the RFP shall be for no fewer than 10 years. The Commission shall publish temporary and final regulations that include criteria for evaluating the RFPs.

Allows municipalities and public storm water authorities to pay into the program an aggregate \$50 million annually for 10 years to be absolved from their TMDL reduction mandate. The cost to each municipality or public storm water authority will be consistent with the percentage contributed to the total TMDL reduction mandate. These costs are adjusted annually.

Payment to nutrient credit entities will be made after the Department of Environmental Protection (DEP) has verified the pollutant reductions. DEP will verify the reductions monthly based on data submissions by the nutrient credit entities.

Establishes the Watershed Improvement Fund as a special fund within PENNVEST. Payments from municipalities and public storm water authorities shall be deposited in the fund. Payments to nutrient credit entities for verified TMDL nutrient credits shall be paid out of the fund by the Commission.

Requires winners of the RFP process to offer 20% of their total nutrient reduction allotment to be available for 30 days for small source producers that did not participate in the RFP process and who have installed Best Management Practices (BMP) to sell their credits into the pool and receive the winning RFP price.

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

FISCAL IMPACT:

This legislation greatly expands the responsibilities of the State Conservation Commission. The Commission is staffed cooperatively between the Department of Agriculture and the Department of Environmental Protection (DEP). The Commission anticipates that it would need to create a new division to oversee and administer the new responsibilities. Staffing would include the addition of 9-13 new positions at a cost of \$1.5 million to \$2 million when fully annualized.

This legislation funds the newly created Clean Water Procurement Program with \$50 million per year for a total of 10 years (\$500 million total) to be paid by municipalities and public storm water authorities regardless of the number that choose to participate in the program.

There are about 335 Municipal Separate Storm Sewer Systems (MS4) in the Chesapeake Bay Watershed.

Based on the Watershed Implementation Plan (WIP) Phase 2, the urban load to be reduced from 2015 to 2025 is 6.8 million pounds of Nitrogen and 170,000 pounds of Phosphorus.

- A 6.8 million pound reduction in Nitrogen over 10 years would require the reduction of 680,000 pounds per year.
- A 170,000 pound reduction in Phosphorus over 10 years would require a reduction of 17,000 pounds per year.

Nitrogen		
Percentage Load Participating	Pounds per Year	Cost per Pound
100%	680,000	\$ 73.53
75%	510,000	\$ 98.04
50%	340,000	\$147.06
25%	170,000	\$294.12

Phosphorus		
Percentage Load Participating	Pounds per Year	Cost per Pound
100%	17,000	\$ 2,941.18
75%	12,750	\$ 3,921.57
50%	8,500	\$ 5,882.35
25%	4,250	\$ 11,764.71

Each MS4's contribution to achieve the \$50 million total, will be determined based upon their percentage of load to be reduced.