

26105064D

SENATE BILL NO. 499

Offered January 14, 2026

Prefiled January 13, 2026

A BILL to amend the Code of Virginia by adding in Article 1 of Chapter 3.1 of Title 62.1 a section numbered 62.1-44.6:2, relating to Chesapeake Bay Pay for Outcomes Fund established.

Patron—Marsden

Referred to Committee on Agriculture, Conservation and Natural Resources

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 1 of Chapter 3.1 of Title 62.1 a section numbered 62.1-44.6:2 as follows:

§ 62.1-44.6:2. Chesapeake Bay Pay for Outcomes Fund.

A. There is hereby created in the state treasury a special, permanent, nonreverting fund to be known as the Chesapeake Bay Pay for Outcomes Fund, referred to in this section as "the Fund." The Fund shall be established on the books of the Comptroller. All funds appropriated for such purpose and any gifts, donations, grants, bequests, and other funds received on its behalf shall be paid into the state treasury and credited to the Fund. Interest earned on moneys in the Fund shall remain in the Fund and be credited to it. Any moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. Moneys in the Fund shall be used solely for the purposes established in subsection B and for program administration, including entering into contracts pursuant to subsection E. Expenditures and disbursements from the Fund shall be made by the State Treasurer on warrants issued by the Comptroller upon written request signed by the Director.

B. The purpose of the Fund shall be to provide outcome-based payments for verified reductions in nutrient and sediment pollution from nonpoint sources within the Chesapeake Bay watershed of the Commonwealth. Priority shall be given to projects that (i) contribute to meeting Chesapeake Bay Total Maximum Daily Load (TMDL) requirements, (ii) contribute to meeting local nutrient impaired stream TMDLs, and (iii) occur in high nutrient loss areas. Moneys in the Fund shall be used solely for outcomes-based environmental investments that meet the following criteria:

1. Projects shall provide evidence of verified, measurable reductions in nutrient and sediment loads that are supported by empirical data, monitoring, or third-party validation;

2. Projects shall provide evidence of new, incremental outcomes that would not occur under existing regulatory, funding, or conservation programs, or in the absence of such projects; and

3. Projects shall provide supporting rationale that pollutant reductions are unlikely to be offset by corresponding increases elsewhere in the Chesapeake Bay watershed.

C. 1. The Department shall establish a competitive solicitation process for awarding payments from the Fund. The Department shall develop technical guidelines for quantifying assurance and load reductions and verifying projects in consultation with subject matter experts, partner agencies, and stakeholders. The Department shall consider innovative restoration techniques not currently recognized under traditional best management practices or water quality program protocols.

2. Awards shall be based upon a scoring rubric that prioritizes the following criteria in order of greatest to least importance: (i) assurance of nutrient load reductions and cost-effectiveness, (ii) the total quantity of nutrient load reduction achieved by a project, (iii) the readiness to proceed for a project, and (iv) incentives for habitat and resilience benefits.

3. For the purposes of this subsection:

"Additionality" means environmental benefits that would not occur under existing regulatory, funding, or conservation programs, or in the absence of a project under this section.

"Assurance" means (i) empirical or quantitative evidence that nutrient load reductions are achieved and (ii) demonstration of additionality and minimal leakage. Empirical or quantitative evidence that goes beyond modeling of nutrient reductions shall constitute a higher level of assurance.

"Leakage" means pollutant reductions that risk being offset by corresponding pollutant increases elsewhere.

D. The Department, in partnership with the Department of Conservation and Recreation, Virginia Polytechnic Institute and State University, and other stakeholders as the Department deems necessary, shall pursue incorporation of nutrient load reductions resulting from projects funded by the Fund into the Chesapeake Bay Program accountability framework for the Chesapeake Bay TMDL.

E. The Department may enter into contracts with subject matter experts, academic institutions, nonprofit organizations, or third-party verifiers to assist in the design, implementation, monitoring, and evaluation of

59 *projects funded pursuant to this section.*