

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 576 (Delegate Fisher, *et al.*)
Environment and Transportation

Bay Restoration Fund – On-Site Sewage Disposal System Grants and Loans –
Proof of Income

This bill authorizes a homeowner to submit specified documents as proof of the homeowner's income for the purposes of receiving a grant or loan from the Bay Restoration Fund (BRF) Septics Account.

Fiscal Summary

State Effect: The bill's change primarily affects local government procedures and does not materially affect State finances or operations.

Local Effect: The bill is primarily procedural and is not anticipated to have a material effect on local government finances or operations.

Small Business Effect: None.

Analysis

Bill Summary: As proof of income, a homeowner may submit (1) a copy of his/her income tax return for the previous taxable year or (2) a letter from a certified public accountant or income tax preparer certifying the homeowner's income.

Current Law: Chapter 428 of 2004 established BRF, which is administered by the Water Quality Financing Administration within the Maryland Department of the Environment (MDE). The primary purpose of the fund is to support upgrades to Maryland's 67 major publicly owned Wastewater Treatment Plants (WWTPs) with enhanced nutrient removal (ENR) technology; funds are also used for septic system upgrade grants, among other

things, and the Cover Crop Program within the Maryland Department of Agriculture (MDA).

Assessment of Bay Restoration Fee: As a revenue source for the fund, Chapter 428 established a bay restoration fee on users of wastewater facilities, septic systems, and sewage holding tanks, and Chapter 150 of 2012 doubled the fee for most users. Of the fee revenue collected from users of septic systems and sewage holding tanks, 60% must be deposited into a separate account, commonly referred to as the Septics Account. The remaining funds collected from users of septic systems and sewage holding tanks (40%) must be transferred to the Maryland Agricultural Water Quality Cost Share Program within MDA to provide financial assistance to farmers for planting cover crops.

Uses of MDE's Septics Account: The Septics Account within MDE may be used for grants or loans for up to 100% of (1) the cost of upgrading septic systems to use the best available technology for nitrogen removal (BAT); (2) the cost difference between a conventional septic system and one that uses BAT; (3) the cost of repairing or replacing a failing septic system with one that uses BAT; (4) the cost of replacing multiple septic systems in the same community with a new community sewerage system that meets ENR standards and other specified conditions; or (5) the cost of connecting a property served by a septic system to a wastewater facility meeting specified levels of treatment. The Septics Account may also be used for specified administrative costs for MDE (up to 8% of funds deposited) and for certain local entities (up to 10% of funds deposited). Finally, the Septics Account may be used to provide financial assistance to qualifying low-income homeowners for up to 50% of the cost of an operation and maintenance contract of up to five years for a BAT system.

Income-based Grant Awards: Grant awards for septic system upgrades under BRF are income based. Homeowners with an annual household income of \$300,000 or less are eligible for up to 100% of the approved cost of replacing or repairing a septic system. Homeowners with an annual income of more than \$300,000 are eligible for up to 50% of the approved cost. Further, pursuant to current regulations, a low-income homeowner is eligible for a grant for the total cost of repair, replacement, or upgrade of a failing septic system to a BAT system and other wastewater treatment systems, including the construction of wastewater disposal drain fields. These grants are only available if funds remain after grants have been awarded to all eligible projects that either upgrade existing septic systems with BAT or provide the cost difference between a conventional septic system and one that uses BAT.

In practice, MDE provides BRF funding to local governments who then distribute grants to qualifying homeowners. Current law is silent as to what documents may be used as proof of income. However, MDE notes that the department provides guidance to counties on this matter.

Background: As of September 20, 2017, BRF has funded 8,975 BAT upgrades, of which 5,532 upgrades were completed within Maryland's Critical Areas. In addition, 310 homes have been connected to public sewerage using BRF.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Anne Arundel, Baltimore, Charles, and Montgomery counties; Maryland Department of the Environment; Department of Legislative Services

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