

U00A
Department of the Environment

Operating Budget Data

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$30,852	\$31,584	\$33,967	\$2,383	7.5%
Contingent & Back of Bill Reductions	0	0	-31	-31	
Adjusted General Fund	\$30,852	\$31,584	\$33,936	\$2,351	7.4%
Special Fund	48,394	59,498	60,655	1,157	1.9%
Contingent & Back of Bill Reductions	0	0	-58	-58	
Adjusted Special Fund	\$48,394	\$59,498	\$60,597	\$1,099	1.8%
Federal Fund	35,179	38,805	33,764	-5,041	-13.0%
Contingent & Back of Bill Reductions	0	0	-34	-34	
Adjusted Federal Fund	\$35,179	\$38,805	\$33,729	-\$5,076	-13.1%
Reimbursable Fund	3,535	3,689	3,247	-442	-12.0%
Adjusted Reimbursable Fund	\$3,535	\$3,689	\$3,247	-\$442	-12.0%
Adjusted Grand Total	\$117,960	\$133,576	\$131,510	-\$2,066	-1.5%

- The Governor has submitted a deficiency appropriation for the fiscal 2013 operating budget, which would increase the Maryland Department of the Environment's (MDE) appropriation by \$1,000,000 in general funds and \$142,506 in special funds. The general fund appropriation would fund Marcellus Shale Executive Order study requirements.
- The overall change in MDE's fiscal 2014 budget is a decrease of \$2.1 million, or 1.5%. The major changes are decreases of \$3.3 million for contracts and \$1.6 million for grants, which are partially offset by an increase of \$3.1 million for salaries and wages.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 12 Actual</u>	<u>FY 13 Working</u>	<u>FY 14 Allowance</u>	<u>FY 13-14 Change</u>
Regular Positions	931.00	929.00	937.00	8.00
Contractual FTEs	<u>25.07</u>	<u>49.50</u>	<u>68.00</u>	<u>18.50</u>
Total Personnel	956.07	978.50	1,005.00	26.50

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	60.57	6.52%
Positions and Percentage Vacant as of 12/31/12	65.00	7.00%

- Regular positions increase by 8.0 between the fiscal 2013 working appropriation and the fiscal 2014 allowance. The positions are needed to implement Chapter 387 of 2012 (Environment – Reducing the Incidence of Lead Poisoning).
- Contractual full-time equivalents increase by 18.50: 15.0 in Land Management Administration and 3.5 in Water Management Administration. Although, the Land Management Administration increase is overstated by 8.0.

Analysis in Brief

Major Trends

Eight-hour Ozone Standard Exceedances Increase Less Than Expected in Calendar 2012: Eight-hour ozone standard exceedances increased less than expected in calendar 2012 due to lower temperatures and fuel switching by power plants.

Water Bodies Needing a Total Maximum Daily Load Decrease: The number of impaired water bodies needing a Total Maximum Daily Load (TMDL) decreased between fiscal 2010 and 2012, primarily due to completion of the Chesapeake Bay TMDL.

Reported Exceedances of the Blood Lead Standard Continue to Decline: Reported exceedances of the blood lead standard continue to decline, although a more stringent standard would substantially increase the reported exceedances.

Issues

Strategic Energy Investment Fund Report Submitted: The General Assembly was concerned that the revenues from the Strategic Energy Investment Fund (SEIF) were uncertain despite the need to fund Regional Greenhouse Gas Initiative participation and expenses associated with implementing Chapters 171 and 172 of 2009 (Greenhouse Gas Emissions Reduction Act of 2009). Therefore, funding was restricted until submission of a report on SEIF expenditures. The submitted report shows that the majority of Greenhouse Gas Emissions Reduction Act of 2009 spending has been from the SEIF and that the highest expenditure category has been MDE salaries. In terms of overall progress toward greenhouse gas emissions, the cap on carbon dioxide allowances has been reduced. **The Department of Legislative Services (DLS) recommends that MDE comment on why the majority of the SEIF funding has been spent on salaries and whether this reflects additional funding for climate change work or the supplantation of other fund sources. In addition, DLS recommends that \$250,000 in general funds restricted in MDE’s fiscal 2013 operating budget be released given that MDE has submitted the requested report in accordance with the requirements of the fiscal 2013 budget bill language. Finally, DLS recommends that MDE comment on the impact of the new carbon dioxide allowance cap on the requirement to reduce statewide greenhouse gas emissions by 25% from 2006 levels by calendar 2020.**

Marcellus Shale Study Funding Certainty: In June 2011, Governor Martin J. O’Malley signed an executive order establishing the Marcellus Shale Safe Drilling Initiative to assist State policymakers and regulators in determining whether and how gas production from the Marcellus Shale in Maryland can be accomplished without unacceptable risks of adverse impacts to public health, safety, and the environment. Funding for three required studies has been uncertain, but now the \$1.0 million general fund deficiency for MDE and the \$0.5 million general fund deficiency for the Department of Natural Resources provide funding. **DLS recommends that MDE comment on the overall spending plan, past, present, and future, for the three study requirements of the Marcellus Shale Safe Drilling Initiative, including fund sources and amounts for each report.**

Environmental Crime Enforcement Questioned: The Center for Progressive Reform published a report in September 2012, titled *Going Too Easy? Maryland's Criminal Enforcement of Water Pollution Laws Protecting the Chesapeake Bay*. In the report, there appeared to be the concern that MDE is not exercising sufficiently the right to bring environmental crime charges against polluters. Statistics for the Environmental Crimes Unit within the Office of the Attorney General indicate that there has been a steady increase in the number of environmental crime cases filed in court and the number of cases concluded in court. However, in most years, the number of cases concluded in court has lagged behind the number of cases filed in court. **DLS recommends that MDE comment on the relationship between environmental crime actions and the behavior of the regulated community and what the pros and cons are for focusing more on supporting environmental crime investigations by the Environmental Crimes Unit as opposed to MDE pursuing administrative or civil penalties.**

Audit Issue: The Joint Audit Committee (JAC) continues to be concerned about the number and frequency of repeat findings in audits conducted by the Office of Legislative Audits. In an effort to see these findings satisfactorily resolved, JAC has asked the budget committees to consider action in the agency budgets where such findings occur. There were four repeat audit findings in MDE's November 2011 audit, which meets JAC's threshold. Two of the findings were merged in the most recent audit and concern the Enterprise Environmental Management System. **DLS recommends that \$100,000 in funding be withheld in MDE's operating budget until the Office of Legislative Audits has determined that the repeat audit findings have been corrected.**

Information Technology Project Funding Release Recommended: Budget bill language in the fiscal 2013 operating budget bill restricted \$500,000 of the MDE general fund appropriation in Coordinating Offices until the submission of quarterly reports on July 1, 2012, October 1, 2012, January 1, 2013, and April 1, 2013, on MDE's currently funded major information technology projects in terms of usage, functionality, and funding. **DLS recommends that \$125,000 in general funds restricted in MDE's fiscal 2013 operating budget (the third quarter of the \$500,000 restricted) be released given that MDE has submitted the third quarterly report in accordance with the requirements of the fiscal 2013 budget bill language.**

Recommended Actions

1. Restrict funding until the submission of a report on audit findings.

U00A
Department of the Environment

Operating Budget Analysis

Program Description

The Maryland Department of the Environment (MDE) was created in 1987 to protect and restore the quality of the State's land, air, and water resources and safeguard citizens from health risks associated with pollution. It is responsible for planning, monitoring, controlling, and regulating air, solid, and hazardous wastes; radiation, sewage sludge, sediment, and stormwater; toxicities, sewage treatment, and water supply facilities; and environmental disease control programs. The department is structured into seven major administrative units.

- ***Office of the Secretary:*** This office provides direction and establishes State environmental policies to be implemented by the operating units.
- ***Operational Services Administration:*** This administration (formerly called the Administrative Services Administration) provides general administrative and fiscal services to the department.
- ***Water Management Administration:*** This administration administers the State's water pollution control program; implements Total Maximum Daily Loads (TMDL) for pollutants in impaired waterways; and regulates industrial/municipal wastewater and stormwater discharge.
- ***Science Services Administration:*** This administration develops and promulgates water quality standards; provides technical support and analysis for TMDLs; monitors shellfish; develops environmental and public health risk assessments; implements nonpoint source pollution programs; and develops and issues fish advisories.
- ***Land Management Administration:*** This administration ensures that all types of hazardous and nonhazardous solid wastes are managed in a manner that protects public health and the environment. It regulates solid waste management facilities, scrap tire recycling facilities, above-ground and below-ground petroleum storage facilities, petroleum distribution, hazardous waste transportation, mining, and both concentrated animal feeding operations and Maryland animal feeding operations.
- ***Air and Radiation Management Administration:*** This administration ensures that air quality and radiation levels in Maryland sustain public health, safety, and the environment. It operates an air-monitoring network; licenses asbestos removal contractors, provides oversight of the Vehicle Emissions Inspection Program; and monitors radiation use. Climate change initiatives are a relatively new component of its operations.

- **Coordinating Offices:** This office manages budget matters, the Water Quality and Drinking Water Revolving Loan Funds and other water pollution control program capital projects, and Board of Public Works' activities; coordinates public information and outreach; provides hazardous chemical and oil spill emergency response services; and provides legal advice.

MDE's four goals are consistent with efforts to protect and preserve Maryland's natural resources. They are:

- reducing Maryland citizens' exposure to hazards;
- ensuring safe and adequate drinking water;
- ensuring the air is safe to breathe; and
- providing customer service and community outreach.

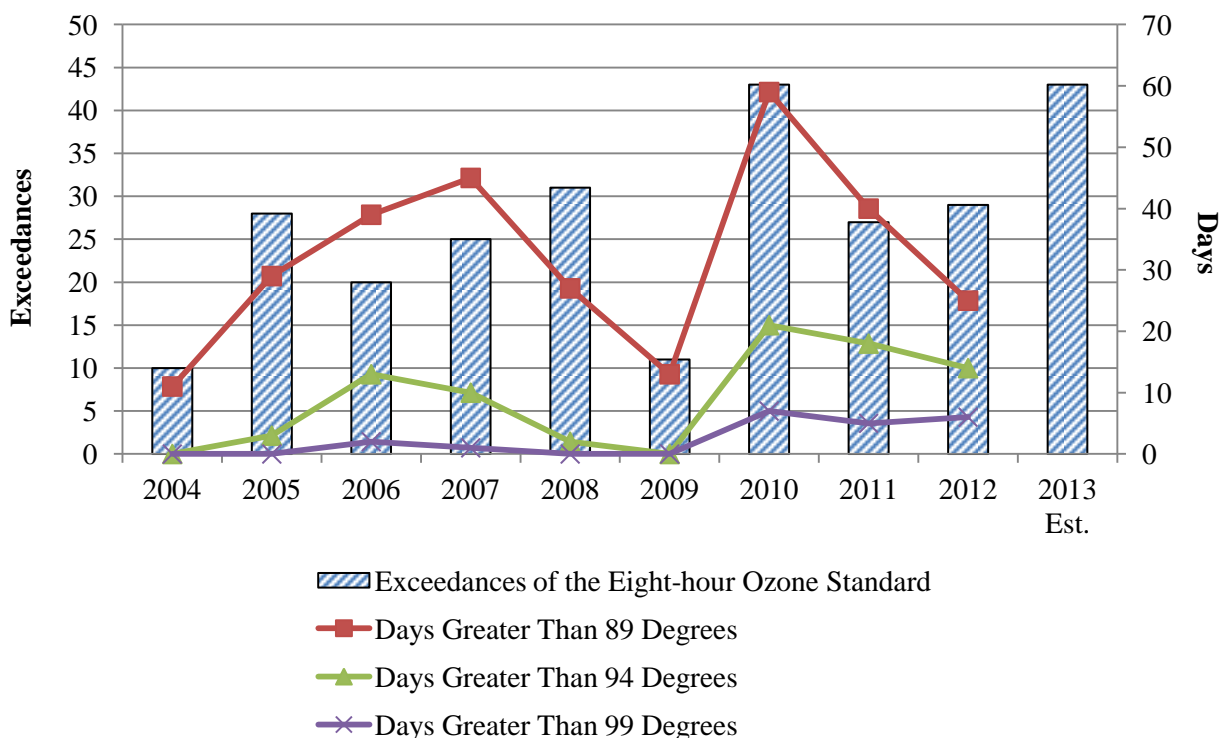
Performance Analysis: Managing for Results

MDE's Managing for Results (MFR) measures show (1) a reduction in the number of eight-hour ozone standard exceedances due to lower temperatures and fuel switching by power plants; (2) a decrease between fiscal 2010 and 2012 in the number of impaired water bodies needing a TMDL, primarily due to the completion of the Chesapeake Bay TMDL; and (3) reported exceedances of the blood lead standard continue to decline, although a more stringent standard would substantially increase the reported exceedances.

1. Eight-hour Ozone Standard Exceedances Increase Less Than Expected in Calendar 2012

The Air and Radiation Management Administration has the goal of ensuring that the air is safe to breathe. The objective related to this goal is to achieve attainment with the eight-hour ozone and particulate matter (2.5 micrometer) standards in the Baltimore and Washington metropolitan areas and Cecil County. Maintaining air quality is a challenge in Maryland's urbanized core due to local conditions and emissions, as well as pollutants transported from the Ohio River Valley and areas south of Maryland. The number of exceedances of the eight-hour ozone standard increased slightly from 27 in calendar 2011 to 29 in calendar 2012, as shown in **Exhibit 1**. Up until recently, however, MDE was estimating that there would be 41 exceedances in calendar 2012.

**Exhibit 1
Eight-hour Ozone Standard Exceedances and Hot Days
Calendar 2004-2013**



Note: The calendar 2007 data is for greater than 85 parts per billion, while the data for calendar 2008 and beyond reflects a more stringent standard of 75 parts per billion. The National Weather Service data is for March through November of each year at Baltimore/Washington International Thurgood Marshall Airport. The calendar 2012 estimate has been changed to an actual to reflect data provided by the Maryland Department of the Environment, while the calendar 2013 estimate has been left as it was stated in the Governor’s Budget Books for fiscal 2014.

Source: Governor’s Budget Books, Fiscal 2007-2014; Maryland Department of the Environment; National Weather Service, Baltimore/Washington Forecast Office

MDE indicates that originally calendar 2012 was expected to have warm ozone season months, which usually translate into high numbers of exceedances. Instead, the weather turned out to be cooler than expected. In addition, MDE indicates that other factors could be as follows: reduced emissions from power plants due to the downturn in the economy, use of natural gas in power plants due to lower prices, and disruption of the Chesapeake Bay breeze, which can move Washington, DC’s pollution over the Baltimore metropolitan area and hold pollution in place that would normally exit Maryland to the northeast. While MDE does not have conclusive evidence, it indicates that data gathered from certain limited studies conducted by aircraft and weather balloons suggest that as much as 70% of the pollution that causes an exceedance can be generated from outside of Maryland.

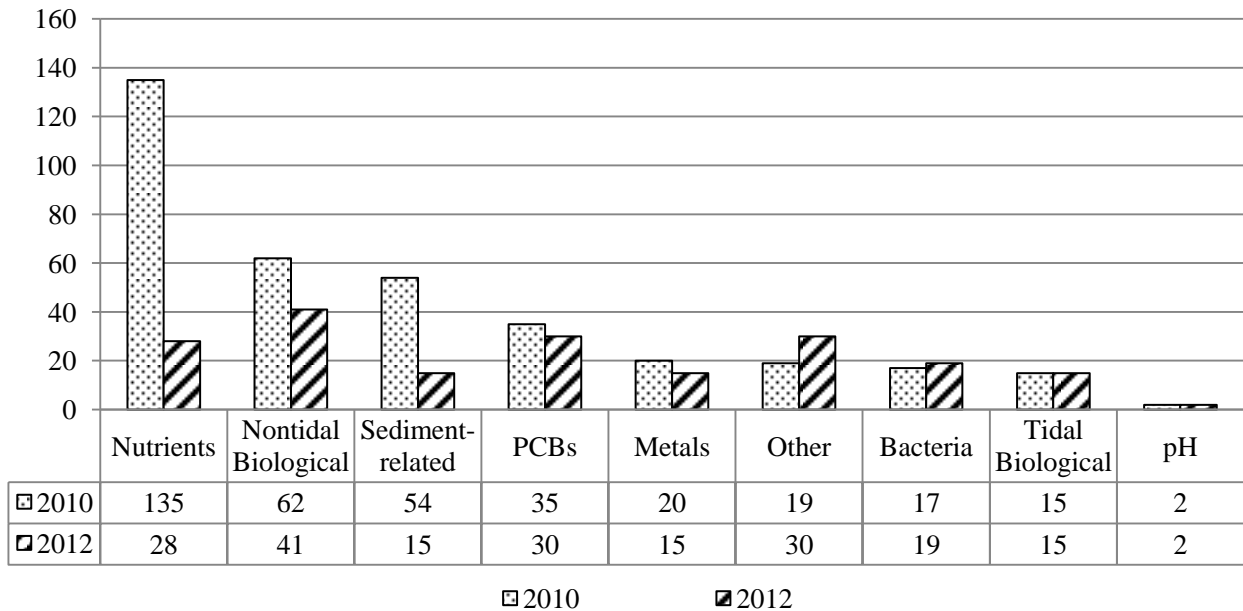
The Ozone Transport Commission is a multi-state organization responsible for advising the U.S. Environmental Protection Agency (EPA) on ozone transport issues and for developing and implementing regional solutions to the ground-level ozone problem in the Northeast and Mid-Atlantic regions. **The Department of Legislative Services (DLS) recommends that MDE comment on what is being done about interstate ozone transport and how MDE is working with the Ozone Transport Commission on the problem.**

2. Water Bodies Needing a Total Maximum Daily Load Decrease

One of MDE's MFR measures is the number of TMDLs submitted (listings resolved). This is under the Science Service Administration's goal of improving and protecting water quality. Data on TMDL development status may be found in MDE's 2012 *Integrated Report of Surface Water Quality*. The major classifications of impaired water bodies are as follows: Category 1 – a body is meeting all standards; Category 2 – a water body is meeting some but not all standards; Category 3 – there is insufficient data to determine whether standards are being met; Category 4a – water quality standards are not being met, but a TMDL is not needed (because it has already been completed); and Category 5 – a water body is impaired and a TMDL is needed.

The 2012 *Integrated Report of Surface Water Quality* shows a substantial reduction in the Category 5 water bodies between fiscal 2010 and 2012 – a net reduction of 164 from 359 to 195, as shown in **Exhibit 2**. However, the majority of the difference between the number of water bodies in the two years, 139 water bodies, is due to water bodies that are part of the Chesapeake Bay TMDL and thus have been moved to Category 4a. In addition, there were 34 water bodies of the 164 that were moved to either Category 2 – meeting some standards or Category 3 – insufficient data. Therefore, these water bodies were not delisted from the list of impaired waters. In addition, there was an increase of 37 new Category 5 listings, which would appear to have erased the gain made by moving 34 of the water bodies to either Category 2 or Category 3. Finally, the very reason for the listing in the first place and the causation associated with the delisting is called into question by the following comment in the 2012 *Integrated Report of Surface Water Quality*, “Since early listings were based on limited data (especially from 1996 and 1998), in many cases, it is not possible to attribute these waters now meeting standards to a particular restoration action. It is possible that the extensive restoration practices that have been applied statewide might be playing a contributory role, but it may also be true that these listings were made based upon insufficient data.” **DLS recommends that MDE comment on how many water bodies have been delisted from the list of impaired waters relative to the number that have been added since the listing process began and comment on the extent to which restoration action is responsible for the delisting of water bodies.**

**Exhibit 2
Impaired Water Bodies Without a Total Maximum Daily Load by Impairment
Fiscal 2010 and 2012**



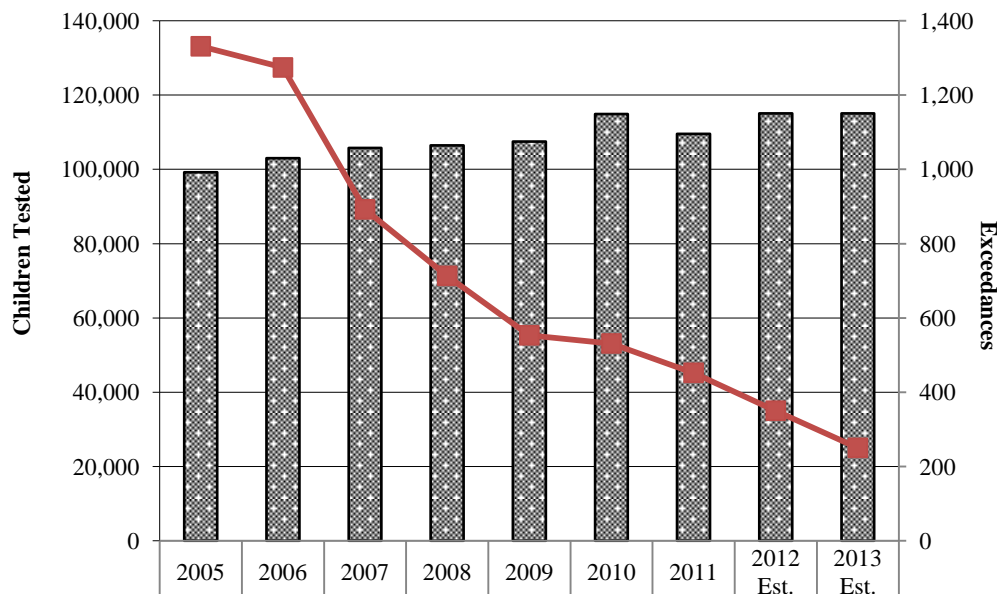
PCB: polychlorinated biphenyl
pH: logarithmic measure of hydrogen ion concentration

Source: 2012 *Integrated Report of Surface Water Quality*, Maryland Department of the Environment

3. Reported Exceedances of the Blood Lead Standard Continue to Decline

MDE has the goal of reducing Maryland citizens’ exposure to hazards. The associated objective is to reduce the number of exceedances of the elevated blood lead standard (10 micrograms per deciliter or more) statewide (with an emphasis in Baltimore City) to sporadic occurrences by the year 2015. In concert with this goal, the reported exceedances of elevated blood lead standard in children has steadily declined between calendar 2005 and 2013 (estimated), despite an overall increase in the number of children tested, as shown in **Exhibit 3**.

**Exhibit 3
Reported Exceedances of Elevated Blood Lead Standard
Calendar 2005-2013**



Children Tested for Elevated Blood Lead	99,148	102,974	105,708	106,446	107,416	114,829	109,534	115,000	115,000
Reported Exceedances of Elevated Blood Lead Standard (10 Micrograms Per Deciliter or More)	1,331	1,274	892	713	553	531	452	350	250

Source: Governor’s Budget Books, Fiscal 2008-2014

In order to accomplish further reductions in the elevated blood standard, MDE is relying on the implementation of Chapter 387 of 2012 (Environment – Reducing the Incidence of Lead Poisoning). This will be accomplished by an expansion of the definition of affected property to include residential properties built between 1950 and 1978 and the enforcement of the federal Renovation, Repair, and Repainting Rule provisions.

Another consideration is whether the 10 micrograms per deciliter or more standard is too high. MDE indicates that in fiscal 2011, there were 452 children with blood lead levels of 10 micrograms or more, but there were 2,129 children with blood lead levels from 5 micrograms per deciliter to 9 micrograms per deciliter. MDE indicates that the Department of Health and Mental Hygiene (DHMH) will shortly be providing additional guidance for the public health communities on the management follow-up for children with blood lead levels of 5 micrograms per deciliter to 9 micrograms per deciliter. This guidance appears to be the outcome of a collaboration between MDE and DHMH staff over the last six months to evaluate Maryland’s existing Targeting Plan for the testing of children. **DLS recommends that MDE comment on the likelihood of a change in the elevated blood lead standard.**

Fiscal 2013 Actions

Cost Containment

Section 25 of Chapter 1 of the First Special Session of 2012 (the Budget Reconciliation and Financing Act of 2012) required the Governor to abolish at least 100 vacant positions as of January 1, 2013, saving at least \$6 million in general funds. MDE's share of the reduction was 2 vacant positions, an environmental compliance specialist I and an administrative officer III, and \$84,136 in general funds. The annualized salary savings due to the abolition of these positions is expected to be \$57,674 in general funds and \$60,495 in special funds.

Proposed Deficiency

The Governor has submitted a deficiency appropriation for the fiscal 2013 operating budget, which would increase MDE's general fund appropriation by \$1,000,000 and special fund appropriation by \$142,506. The general fund appropriation would be used for stream sampling, economic analysis, a public health study, and salary costs related to the Marcellus Shale Executive Order in Science Services Administration (\$520,000), and for a new air monitoring station in Western Maryland, also related to the Marcellus Shale Executive Order, in the Air and Radiation Management Administration (\$480,000). The special fund appropriation of \$142,506 from the Maryland Clean Air Fund would be used to replace eight high mileage vehicles in support of field inspections and site visits in the Air and Radiation Management Administration.

The \$1,000,000 in general funds for the Marcellus Shale Executive Order complements a proposed \$500,000 general fund deficiency in the Department of Natural Resources' (DNR) budget. MDE would use the funding for background stream sampling, an economic study, public health study, review of public comments and preparation of best practices, revision of guidance related to Environmental Assessment, preparation of legislation, preparation of regulations, and writing and drafting of final reports.

Proposed Budget

MDE's fiscal 2014 allowance decreases by \$2.1 million, or 1.5%, relative to the fiscal 2013 working appropriation, as shown in **Exhibit 4**. The changes by fund reflect an increase of \$2.4 million in general funds, an increase of \$1.1 million in special funds, a decrease of \$5.1 million in federal funds, and a decrease of \$0.4 million in reimbursable funds. The general fund increase is primarily due to a shift from Clean Water Fund and Wetlands and Waterways Program Fund special funds to general funds in the Water Management Administration. The reductions reflect the most recent revenue estimates for these two special funds, which decline by \$1.5 million for the Maryland Clean Water Fund and by \$0.5 million for the Wetlands and Waterways Program Fund. **DLS recommends that MDE comment on the reasons for the projected revenue decreases.**

Exhibit 4
Proposed Budget
Department of the Environment
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
2013 Working Appropriation	\$31,584	\$59,498	\$38,805	\$3,689	\$133,576
2014 Allowance	<u>33,967</u>	<u>60,655</u>	<u>33,764</u>	<u>3,247</u>	<u>131,633</u>
Amount Change	\$2,383	\$1,157	-\$5,041	-\$442	-\$1,943
Percent Change	7.5%	1.9%	-13.0%	-12.0%	-1.5%
 Contingent Reduction	 -\$31	 -\$58	 -\$34	 \$0	 -\$123
Adjusted Change	\$2,351	\$1,099	-\$5,076	-\$442	-\$2,066
Adjusted Percent Change	7.4%	1.8%	-13.1%	-12.0%	-1.5%
 Where It Goes:					
Personnel Expenses					
Retirement contribution.....					\$1,696
Employee and retiree health insurance net of across-the-board reduction.....					962
Annualized general salary increase.....					657
New positions in Land Management Administration.....					422
Salaries and wages.....					175
Fiscal 2013 adjustments.....					-448
Turnover adjustments.....					-317
Other fringe benefit adjustments.....					-19
Other Changes					
Grants					
Operation and maintenance funding for wastewater treatment plants.....					500
Cast iron piping replacement.....					-485
Stream restoration projects.....					-459
Electronics recycling grants.....					-312
Drinking water studies and training programs.....					-249
Maryland Center for Environmental Training.....					-241
Mine studies.....					-208
Wetland mitigation projects.....					-205

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Where It Goes:

Lead poisoning prevention.....	-135
Mobile sources emission reduction projects	-118
<i>Contracts</i>	
Scrap tires.....	1,005
Floodplain mapping	680
Online lead rental registry system.....	545
Water Supply Program tracking system.....	-800
Agricultural community pollution projects	-787
Water supply system tracking and symposium	-650
Node 2.1 project and remote inspections	-582
Greenhouse gas reduction act impact on manufacturing sector	-558
Oil Control Program cleanups.....	-428
Municipal stormwater permits tracking system	-331
Construction monitoring	-300
Environmental investigations for land restoration	-236
Hart Miller Island monitoring	-179
Abandoned mine lands reclamation projects.....	-120
Sustainable transportation	-105
Total Maximum Daily Loads development.....	-104
Miscellaneous Air and Radiation Management Administration contracts.....	-100
<i>Routine Operations</i>	
Contractual positions.....	271
Vehicle replacement.....	228
Rent	168
Statewide cost allocations	63
Air monitoring equipment.....	-629
Bay Restoration Fund debt service.....	-184
Other.....	-149
Total	-\$2,066

Note: Numbers may not sum to total due to rounding.

Special funds increase overall, primarily due to the appropriation of revenue from the Lead Poisoning Prevention Fund, which received an increase in annual rental property registration fees from \$15 to \$30 under Chapter 387 of 2012 (Environment – Reducing the Incidence of Lead Poisoning).

Personnel

MDE's overall personnel expenditures increase by \$3.1 million. The changes in personnel expenditures are comprised of the following.

- **Retirement Contribution** – Retirement contribution increases by \$1,696,293. Statewide contribution rates for the regular employees', teachers', State Police's, and law enforcement officers' pension plans increase in fiscal 2014. The rate increases are attributable to underattained investment returns, adjusted actuarial assumptions, and increased reinvestment of savings achieved in the 2011 pension reform.
- **Employee and Retiree Health Insurance Net of Across-the-board Reduction:** Health insurance costs increase by \$961,815, accounting for a statewide across-the-board reduction. MDE's portion of the across-the-board reduction is allocated as follows: \$31,026 in general funds, \$57,909 in special funds, and \$34,396 in federal funds.
- **Annualized General Salary Increase:** General salaries increase by \$656,699 to reflect the annualization of the cost-of-living allowance (COLA) provided on January 1, 2013.
- **New Positions in Land Management Administration:** Eight new positions are budgeted in Land Management Administration for a total increase of \$421,594. The positions are needed to implement Chapter 387 of 2012 (Environment – Reducing the Incidence of Lead Poisoning), which expands the scope of the Lead Poisoning Prevention Program and requires implementation of the federal Repair, Renovation, and Painting rule. The positions include 1 assistant attorney general IV position for drafting regulations and handling compliance activities for the increased covered population; 3 environmental compliance specialist II positions, 1 environmental compliance specialist supervisor position, and 1 administrative specialist I for providing permitting and inspection services; and 2 administrative specialist II positions for handling the outreach and education, and establishing processes and procedures for invoicing and data entry functions associated with the expansion of the regulated community.
- **Salaries and Wages:** Salaries and wages increase by \$174,608.
- **Turnover Adjustments:** Turnover is reduced by \$317,244.

Other Changes

Overall, the nonpersonnel portion of the fiscal 2014 allowance decreases by \$5,194,634. The areas of change include grants, contracts, and routine operations. The changes are as follows.

Grants

- **Operation and Maintenance Funding for Wastewater Treatment Plants:** MDE is required by the Bay Restoration Fund legislation to use up to 10% of the annual fee revenue collected from wastewater treatment plant users for operation and maintenance funding for wastewater treatment plants upgraded to enhanced nutrient removal technology. This accounts for a \$500,000 increase in MDE's fiscal 2014 budget to bring the total amount up to \$2 million in order to provide \$18,000 per million gallons per day of design capacity not to exceed \$216,000 per facility.
- **Cast Iron Piping Replacement** – One-time federal funding in fiscal 2013 leads to a reduction of \$485,000 in Coordinating Offices – Engineering and Capital Projects Program that was used to fund the replacement of cast iron piping throughout Salisbury's service area in order to improve the reliability of the drinking water system.
- **Stream Restoration Projects** – Federal funding decreases by \$459,000 in the Science Services Administration – Water Quality Protection and Restoration program for grants to local governments for stream restoration projects under the Section 319 Nonpoint Source Implementation Grant Program.
- **Electronics Recycling Grants** – A reduction of \$312,000 in Land Management Administration – Waste Diversion and Utilization primarily reflects reduced electronics recycling grants from the Recycling Trust Fund special fund.
- **Drinking Water Studies and Training Programs** – There is a reduction of \$249,150 in Water Management Administration – Water Supply to reflect reduced federal funding requested for various drinking water studies and training programs.
- **Maryland Center for Environmental Training** – The fiscal 2014 budget for MDE decreases by \$241,000 in Coordinating Offices – Engineering and Capital Projects Program to reflect reduced funding for reporting, data collection, and analysis services provided by the Maryland Center for Environmental Training.
- **Mine Studies** – A net reduction of \$208,200 in Land Management Administration – Mining is due to a loss of federal funds for various mine studies, which is partially offset by an increase in special funds for this purpose.

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- ***Wetland Mitigation Projects*** – The budget decreases by \$205,000 in Water Management Administration – Wetlands and Waterways to reflect decreased wetland mitigation project costs from Nontidal Wetlands Compensation Fund special funds. This funding is used to comply with the 2008 federal Mitigation Rule for the operation of payment-in-lieu-of-fee programs. The two fiscal 2014 wetlands are Isle of Wight (\$1,000,000) and Sykesville Correctional Facility (\$400,000).
- ***Lead Poisoning Prevention*** – Funds for primary prevention of lead risk in areas of highest risk (Baltimore City and Wicomico County) decrease by a net of \$135,000 in Land Management Administration – Lead Poisoning Prevention.
- ***Mobile Sources Emission Reduction Projects*** – There is a reduction of \$118,145 in Air and Radiation Management Administration – Mobile Sources Control from federal Diesel Emission Reduction Act funding that was used for various diesel retrofits and other mobile source emission reduction projects with local governments.

Contracts

- ***Scrap Tires*** – Land Management Administration – Waste Diversion and Utilization program’s appropriation increases by \$1,005,000 in special funds primarily for remediation of the Boehm/Crownsville scrap tire stockpile, which has an estimated 150,000 scrap tires and accounts for approximately half of the known remaining illegal scrap tires in the State.
- ***Floodplain Mapping*** – There is an increase of \$680,000 in federal funds in Water Management Administration – Wetlands and Waterways for an agreement with the Maryland Environmental Service for mapping floodplains.
- ***Online Lead Rental Registry System*** – Funding increases by \$545,000 in combined special funds and federal funds in Land Management Administration – Operational Services for integrating three existing Lead Poisoning Prevention Program databases with the recently developed Online Lead Rental Registry system in order to address a fiscal 2011 audit finding. The audit finding was that MDE did not have adequate procedures in place to ensure properties were registered and related fees paid.
- ***Water Supply Program Tracking System:*** A decrease of \$800,000 for the Water Supply Program Tracking System information technology (IT) project due to the final funding in fiscal 2013.
- ***Agricultural Community Pollution Projects*** – In Science Services Administration – Water Quality Protection and Restoration, there is a decrease of \$786,956 in federal funds for nonpoint source pollution control projects with the agricultural community and outreach and technical assistance to poultry farmers for compliance with Concentrated Animal Feeding Operation/Maryland Animal Feeding Operation permits.

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- ***Water Supply System Tracking and Symposium*** – Federal funds are reduced by \$650,000 in Water Management Administration – Water Supply for one-time funding to support tracking and reporting for water supply systems and one-time contract funding for conducting the annual State/County Groundwater Symposium, which included rental of the facility and procurement of speakers with technical expertise.
- ***Node 2.1 Project and Remote Inspections*** – Coordinating Offices – Information Systems and Technology funding decreases by \$582,404 in federal funds for contractual services that was used to continue the Node 2.1 Project to enable programmatic data exchanges between MDE and EPA and for developing automated processes for conducting remote inspections of large quantity generators and treatment storage and disposal facilities regulated under the Resource Conservation Recovery Act.
- ***Greenhouse Gas Reduction Act Impact on Manufacturing Sector*** – There is a reduction of \$557,943 in special funds in Air and Radiation Management Administration – Air Quality Planning primarily to reflect a one-time economic study of the impact of the Greenhouse Gas Reduction Act of 2009 legislation on the manufacturing sector using Strategic Energy Investment Fund (SEIF) funding.
- ***Oil Control Program Cleanups*** – Funding is reduced by \$428,000 in Land Management Administration – Oil Control for Oil Control Program cleanups.
- ***Municipal Stormwater Permits Tracking System*** – Federal funds decrease by \$331,000 in Water Management Administration – Sediment, Stormwater, and Dam Safety for a contract with the Maryland Environmental Service to develop a geographic information system data tracking system for Maryland’s National Pollutant Discharge Elimination System municipal stormwater permits, and to create a web-based “Responsible Personnel Certification” program, as well as additional modules for forest conservation and stormwater management.
- ***Construction Monitoring*** – Funding is reduced by \$300,000 in special funds in Coordinating Offices – Engineering and Capital Projects Program to reflect reduced outsourcing needed for engineering consultants to perform construction monitoring activities of State grant and/or loan projects due to reduced projects in the pipeline.
- ***Environmental Investigations for Land Restoration*** – The fiscal 2014 budget reflects a \$235,615 reduction in Land Management Administration – Land Restoration Program due to a different mix of projects being funded for environmental investigations related to land restoration work.
- ***Hart Miller Island Monitoring*** – Science Services – Environmental Assessment and Standards’ appropriation decreases by \$178,588 due to less Hart Miller Island monitoring activity and reduced water quality monitoring.

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- ***Abandoned Mine Lands Reclamation Projects*** – There is a reduction of \$120,050 in Land Management Administration – Mining primarily for State/Federal Abandoned Mine Lands Reclamation Projects.
- ***Sustainable Transportation*** – Funding in Air and Radiation Management Administration – Mobile Sources Control decreases by \$105,000 primarily due to a reduction of the SEIF funding for projects such as a stakeholder process to develop recommended strategies to incentivize sustainable transportation and land use development that reduces vehicle miles traveled.
- ***Total Maximum Daily Loads Development*** – The fiscal 2014 budget reflects a decrease of \$103,540 in Science Services Administration – TMDL Technical Development for developing TMDLs statewide through water quality monitoring and laboratory analysis and development of water quality models.
- ***Miscellaneous Air and Radiation Management Administration Contracts*** – There is a reduction of \$100,000 in special funds in Air and Radiation Management Administration – Administrative Direction for one-time consulting services for technical writing and payment review/tracking of contracts and for an analysis of the Radiological Health Program registration and accounting systems to ensure adequate accountability and processing of new registrations and certifications.

Routine Operations

- ***Contractual Positions:*** Contractual full-time equivalent (FTE) costs increase by \$271,420. The increase of 18.5 FTEs is allocated as follows: 15.0 in Land Management Administration and 3.5 in Water Management Administration. The Land Management Administration increase is overstated by 8.0 FTEs as the fiscal 2014 allowance includes 8.0 regular positions instead, and so the overall increase is 10.5 FTEs. However, funding has been provided for only 10.5 new FTEs. The 7.0 FTEs in Land Management Administration will help with the implementation of Chapter 387 of 2012 (Environment – Reducing the Incidence of Lead Poisoning) and will most likely be converted to regular positions in fiscal 2015. The 3.5 FTEs in Water Management Administration will help with the increased activity associated with the Bay Restoration Fund fee increase for owners of septic systems. Activities include monitoring best available technology for septic system upgrades and auditing grant-funded installations in multiple local jurisdictions.
- ***Vehicle Replacement:*** Vehicle costs increase by \$228,215 for vehicle purchases (\$334,110) and gas and oil (\$32,160), which are partially offset by a decrease for maintenance and repair (\$138,055). One of the major changes in vehicle purchases is the budgeting of \$139,400 in general funds for eight additional vehicles in the Annapolis Field Office to gather samples in support of the development of TMDLs. As noted previously, there is also a deficiency appropriation request for \$142,506 in special funds to replace eight vehicles in Air and Radiation Management Administration.

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- ***Bay Restoration Fund Debt Service:*** Bay Restoration Fund debt service decreases by \$183,800. In recent years, the revenue bond issuance associated with the upgrade of the State's 67 major wastewater treatment plants to enhanced nutrient removal technology has been pushed off into the future due to sufficient cash flow to meet the current project award schedule.
- ***Rent:*** Rent increases by \$168,485 in Operational Services Direction – Program Direction.
- ***Statewide Cost Allocations:*** Statewide cost allocations increase by \$63,467. Increases for Attorney General administration (\$102,339), Office of Administrative Hearings charges (\$48,277), Department of Budget and Management paid telecommunications (\$27,008), and the retirement administrative fee (\$3,151) are partially offset by decreases for the statewide personnel system (\$71,203), Department of Information Technology (DoIT) IT services (\$41,105), and the Annapolis Data Center usage charge (\$5,000).
- ***Air Monitoring Equipment:*** Air monitoring equipment costs decrease by \$629,400 in Air and Radiation Management Administration – Air Monitoring to reflect fewer air monitoring instruments being purchased and only one new near-road nitrogen dioxide monitoring site being purchased versus the two in fiscal 2013.

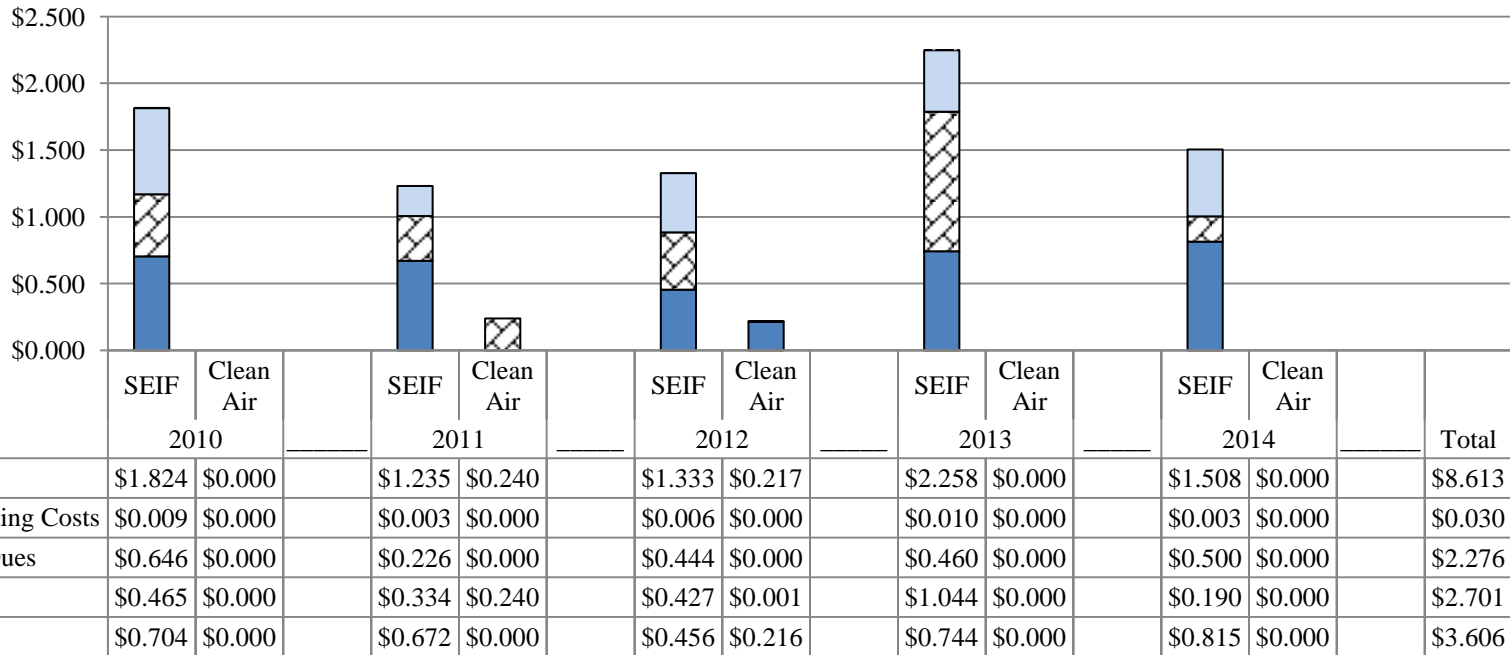
Issues

1. Strategic Energy Investment Fund Report Submitted

MDE receives funding from the SEIF that is deposited into the Maryland Clean Air Fund. The General Assembly was concerned that the revenues from the SEIF – the sale of carbon dioxide allowances – were subject to uncertainty and year-to-year variability despite the need for MDE to recoup the costs of managing Maryland’s role in the quarterly carbon dioxide allowance auctions and the expenses associated with implementing Chapters 171 and 172 of 2009 (Greenhouse Gas Emissions Reduction Act of 2009). In addition, the General Assembly was concerned that it is not clear how the revenues from the SEIF were being used. Therefore, fiscal 2013 budget bill language restricted \$250,000 in general funds until the submission of a report on SEIF expenditures with the fiscal 2014 budget submission. MDE submitted the report on February 6, 2013.

Exhibit 5 shows the Greenhouse Gas Emissions Reduction Act of 2009 expenditures as reflected in MDE’s report. The funding includes both the SEIF and the Maryland Clean Air Fund as separate funds. MDE indicates that Maryland Clean Air Fund revenues were needed in fiscal 2011 and 2012 to supplement SEIF appropriations in order to fund salaries and contracts connected with the Greenhouse Gas Emissions Reduction Act of 2009 that might otherwise have been delayed due to SEIF shortfalls.

**Exhibit 5
Greenhouse Gas Emissions Reduction Act of 2009 Expenditures
Fiscal 2010-2014
(\$ in Millions)**



MDE: Maryland Department of the Environment
RGGI: Regional Greenhouse Gas Initiative
SEIF: Strategic Energy Investment Fund

Note: RGGI participation dues in fiscal 2010 reflect payments for half of calendar 2009 and all of calendar 2010. RGGI participation dues in fiscal 2011 reflect payments for half of calendar 2011. For all other years, RGGI participation dues reflect payments for a full year.

Source: Maryland Department of the Environment; Department of Legislative Services

Overall, the exhibit shows that the majority of Greenhouse Gas Emissions Reduction Act of 2009 spending has been from the SEIF and that the highest expenditure category has been salaries (\$3.4 million – SEIF and \$0.2 million – Maryland Clean Air Fund). After salaries, contracts related to climate change and the Greenhouse Gas Emissions Reduction Act of 2009 (\$2.5 million SEIF and \$0.2 million Maryland Clean Air Fund) garnered the most spending and then Regional Greenhouse Gas Initiative participation dues (\$2.3 million – SEIF). MDE indicates that the final State Climate Plan required by the Greenhouse Gas Emissions Reduction Act of 2009 is anticipated to be completed in early calendar 2013. It is comprised of 65 separate climate action strategies for implementation by 11 State agencies, and contains an assessment of the impact of the strategies on Maryland’s overall economy.

The Greenhouse Gas Emissions Reduction Act of 2009 requires the reduction of statewide greenhouse gas emissions by 25% from 2006 levels by calendar 2020. On February 7, 2013, the signatories to the Regional Greenhouse Gas Initiative – the nine-state coalition created to design a regional cap-and-trade program to reduce carbon dioxide emissions from certain power plants in the region – reduced the calendar 2014 overall cap on carbon dioxide allowances from 165 million to 91 million tons, a reduction of 45%. The reduction in the carbon dioxide allowance cap will help to meet the 25% greenhouse gas emission requirement, but the extent to which it would help is unclear.

DLS recommends that MDE comment on why the majority of the SEIF funding has been spent on salaries and whether this reflects additional funding for climate change work or the supplantation of other fund sources. In addition, DLS recommends that \$250,000 in general funds restricted in MDE’s fiscal 2013 operating budget be released given that MDE has submitted the requested report in accordance with the requirements of the fiscal 2013 budget bill language. Finally, DLS recommends that MDE comment on the impact of the new carbon dioxide allowance cap on the requirement to reduce statewide greenhouse gas emissions by 25% from 2006 levels by calendar 2020.

2. Marcellus Shale Study Funding Certainty

In June 2011, Governor Martin J. O’Malley signed an executive order establishing the Marcellus Shale Safe Drilling Initiative to assist State policymakers and regulators in determining whether and how gas production from the Marcellus Shale in Maryland can be accomplished without unacceptable risks of adverse impacts to public health, safety, and environment. Funding for three required studies has been uncertain, but now the \$1.0 million general fund deficiency for MDE and the \$0.5 million general fund deficiency for DNR provide funding.

Executive Order Report

The executive order requires three reports as follows: (1) findings and recommendations regarding sources of revenue and standards of liability for damages caused by gas exploration and production (due by December 31, 2011); (2) recommendations for best practices for all aspects of natural gas exploration and production in the Marcellus Shale in Maryland (due by August 1, 2012,

but extended until August 2013); and (3) findings and recommendations regarding the potential impact of Marcellus Shale drilling in Maryland (due by August 1, 2014).

Best Management Practices Considered

MDE entered into a memorandum of understanding with the University of Maryland Center for Environmental Science (UMCES) to research the best management practices. Dr. Keith N. Eshleman of the UMCES – Appalachian Laboratory is the principal investigator. As of June 12, 2012, Dr. Eshleman's group classified best management practices as follows based on the experiences of the American Petroleum Institute and states of New York, Pennsylvania, West Virginia, Ohio, and Colorado.

- **General/Planning Permitting** – Topics include well pad spacing, setback requirements, onsite and offsite monitoring, identification of chemicals, and site security.
- **Protecting Air Quality** – The air emissions of concern include those from operations and emissions of radiation, radon, fugitive methane, and volatile organic compounds.
- **Well Engineering and Construction Practices to Ensure Integrity and Isolation** – Specific components addressed include casing and cementing, pressure testing, blow-out prevention, and plugging the well.
- **Protecting Drinking Water Supplies and Water Quality** – Specific water quality concerns include erosion and sediment control; and testing, recordkeeping, handling, manifesting and disposal of flowback, produced water, and contaminated stormwater.
- **Protecting Aquatic Habitat/Wildlife** – Topics covered include special protection for high value assets, such as natural trout streams and endangered species, as well as invasive species considerations.
- **Protecting Terrestrial Habitat/Wildlife** – Forest fragmentation issues associated with the construction of well pad, roads, and pits are mentioned.
- **Protecting Public Health and Safety** – Spill prevention/containment and emergency response plans fall under the protecting public health and safety topic.
- **Protecting Cultural and Historic Values** – Identification of cultural/historical sites is mentioned.
- **Protecting Quality of Life/Aesthetics** – Hours of operation, noise control, road impacts, and visual pollution/viewsclapes fall under protecting quality of life/aesthetics.
- **Protecting Agriculture and Grazing** – Prime farmland is the primary concern under protecting agriculture and grazing.

MDE indicates that on December 17, 2012, Dr. Eshleman provided draft recommendations for best management practices, which MDE and DNR are reviewing. MDE anticipated that it would provide comments to Dr. Eshleman by the end of January 2013 and that a final draft would be submitted in February 2013. These recommendations will inform the development of the second report.

Costs

As of the 2012 legislative session, MDE indicated that the second and third study requirements in the Governor's executive order will be funded within its appropriation, apparently through the use of the State Used Tire Recycling and Cleanup Fund. However, there is a \$1 million general fund deficiency appropriation as noted above, for the Marcellus Shale studies in fiscal 2013.

DLS recommends that MDE comment on the overall spending plan, past, present, and future, for the three study requirements of the Marcellus Shale Safe Drilling Initiative, including fund sources and amounts for each report.

3. Environmental Crime Enforcement Questioned

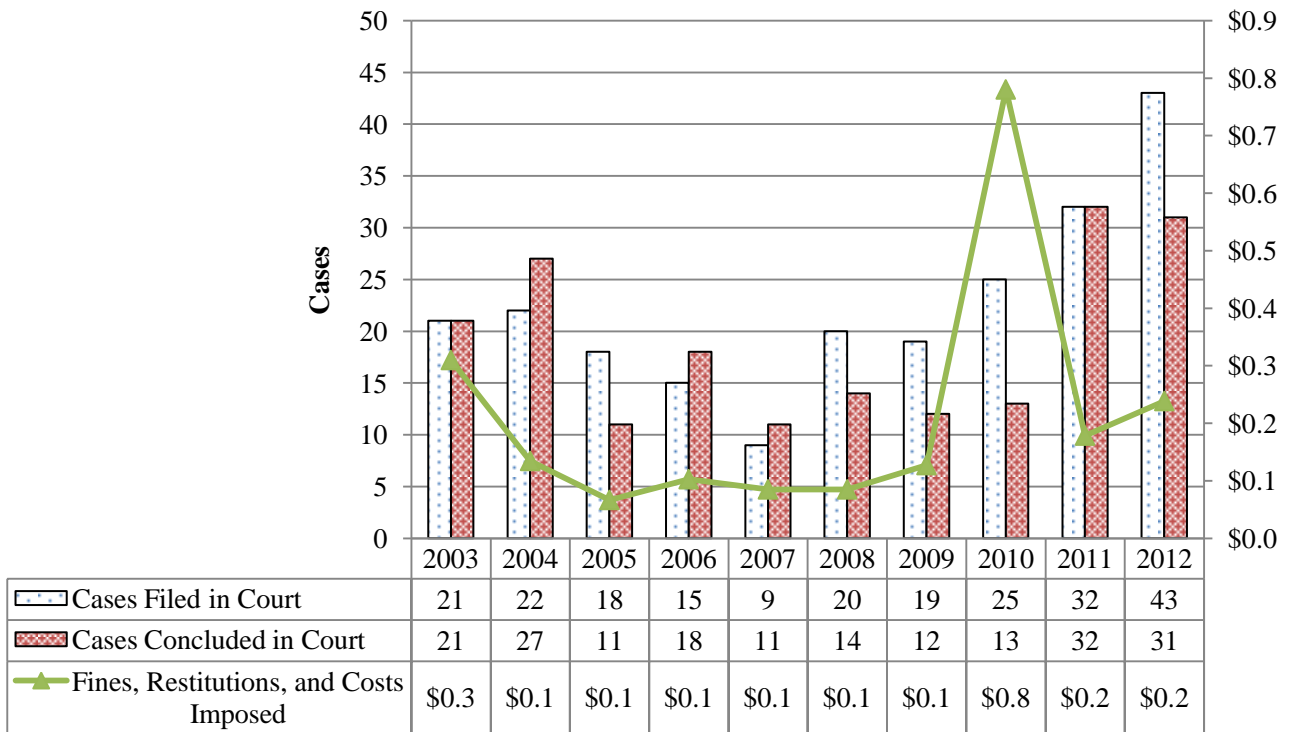
The Center for Progressive Reform published a report in September 2012, titled *Going Too Easy? Maryland's Criminal Enforcement of Water Pollution Laws Protecting the Chesapeake Bay*. In the report, there appeared to be the concern that MDE is not exercising sufficiently the right to bring environmental crime charges against polluters.

MDE's *Annual Enforcement and Compliance Report* reflects the following protocol for determining environmental actions that it will take.

- **Minor Violation (e.g., recordkeeping or reporting)** – The MDE program may use compliance assistance, which does not involve the use of a formal enforcement action.
- **Significant Violations or Recurring Minor Violations** – MDE may impose penalties, corrective orders, or file injunctions.
- **Certain Cases of Significant Violations or Recurring Minor Violations** – MDE may refer enforcement actions to the Attorney General for possible criminal action. Criminal charges will be pursued by the Office of the Attorney General's Environmental Crimes Unit if unsuccessful civil actions have been attempted, offenses are particularly significant or involve immediate danger to the environment, and in general, whenever the prospect of imprisonment and being stigmatized by a criminal conviction is deemed a necessary tool to protect health and the quality of Maryland's air, land, and water resources.

Exhibit 6 reflects statistics for the Environmental Crimes Unit within the Office of the Attorney General. There has been a steady increase in the number of environmental crime cases filed in court and the number of cases concluded in court. However, in most years, the number of cases concluded in court has lagged behind the number of cases filed in court. The highest amount of fines, restitutions, and costs imposed in any one year was \$0.8 million in fiscal 2011, which may be due to the fact that the Environmental Crimes Unit only has two lawyers and two inspectors and thus a limited capacity to take on large cases. The \$0.8 million in costs imposed by the unit is dwarfed by the \$5.1 million in administrative or civil penalties levied by MDE in fiscal 2010. **DLS recommends that MDE comment on the relationship between environmental crime actions and the behavior of the regulated community and what the pros and cons are for focusing more on supporting environmental crime investigations by the Environmental Crimes Unit as opposed to MDE pursuing administrative or civil penalties.**

**Exhibit 6
Environmental Crimes Unit Statistics
Fiscal 2003-2012
(\$ in Millions)**



Source: Maryland Department of the Environment

4. Audit Issue

The Joint Audit Committee (JAC) continues to be concerned about the number and frequency of repeat findings in audits conducted by the Office of Legislative Audits. In an effort to see these findings satisfactorily resolved, JAC has asked the budget committees to consider action in the agency budgets where such findings occur. There were four repeat audit findings in MDE's November 2011 audit, which meets JAC's threshold. Two of the findings were merged in the most recent audit and concern the Enterprise Environmental Management System (EEMS). The repeat audit findings are as follows:

- Required EEMS status reports did not disclose certain significant functionality and cost issues impacting the system's usefulness.
- Adequate procedures over the Lead Poisoning Prevention Program were not established to ensure properties were registered and fees paid.
- Current and complete disaster recovery plan did not exist.

Audit Finding Rectification Funding

MDE has a net increase of \$545,000 in special funds and federal funds for integrating three existing Lead Poisoning Prevention Program databases with the recently developed Online Lead Rental Registry system. This funding is programmed in order to address the second audit finding above – that MDE did not have adequate procedures in place to ensure properties were registered and related fees paid.

In addition, MDE indicates that it has implemented new procedures in the Lead Poisoning Prevention Program to address the audit finding as follows:

- **Online Lead Registration Registry** – MDE has used the registry to identify property owners who failed to register their properties for registration years 2005 to 2012; mailed letters to delinquent property owners; conducted follow-up with non-responding owners; created a database to track the status of property owners and collection efforts; and intends to continue this process for each subsequent registration year.
- **Existing Legacy Databases** – MDE has used existing databases to identify unpaid certification fees from January 2010 to January 2013 and is in the process of sending letters to delinquent property owners. In the future, MDE will create a database to track periodically the status of property owners and collection efforts.

DLS recommends that \$100,000 in funding be withheld in MDE's operating budget until the Office of Legislative Audits has determined that the repeat audit findings have been corrected.

5. Information Technology Project Funding Release Recommended

Budget bill language in the fiscal 2013 operating budget bill restricted \$500,000 of the MDE general fund appropriation in Coordinating Offices until the submission of quarterly reports on July 1, 2012, October 1, 2012, January 1, 2013, and April 1, 2013, on MDE's currently funded major IT projects in terms of usage, functionality, and funding.

Background

The General Assembly was concerned that information about MDE IT projects has not been forthcoming. Therefore, the General Assembly restricted \$500,000 in general funds to be released in the amount of \$125,000 quarterly, pending the submission of IT updates on major IT projects.

Project Status

The first quarterly report was submitted electronically on Friday, June 29, 2012. The report contained information about the one project funded – the Water Supply Information and Permitting System project. The second and third reports were submitted on October 22, 2012, and January 22, 2013, respectively, and also covered the Water Supply Information and Permitting System project.

The project details are as follows:

- **Need:** replaces the Unix-based Regulatory Analysis and Management System/Water Appropriation Network that is no longer supported by the federal government;
- **Function:** implements a new system to document and track permit requests for a person, company, or other entity authorizing use or appropriation of ground or surface water in accordance with State laws and regulations;
- **Context:** consists of one of seven permitting programs that have not been incorporated into TEMPO (the commercial-off-the-shelf system under the EEMS vision of integrating 19 of MDE's permitting databases) due to funding constraints and thus will be implemented separately but will still be able to interact with TEMPO under the EEMS umbrella through standard reporting mechanisms;
- **Usage:** situates the project in the implementation phase (but with no usage to report because it is in the design/development stage) with full implementation anticipated in September 2013;
- **Technical Specification:** uses the Dot NET software to develop an interface due to the legacy nature of a program that interacts with the current development software (PowerBuilder) and uses the Consulting and Technical Services II State procurement contract for information technology;

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- **Data Migration:** migrates approximately 11,000 active, 15,000 inactive, and 20,000 revised or superseded permits from the old system to the new system; and
- **Funding:** receives funding of \$1,000,000 in fiscal 2012 and \$800,000 in fiscal 2013 from federal Drinking Water State Revolving Loan Fund funds from the EPA and has project expenditures of \$121,882 through October 2012.

New Project

There is \$550,000 in general funds budgeted in DoIT's fiscal 2014 operating budget for the new Environment Permit Tracking System Modification project proposed by MDE. The new project would modernize how MDE captures permit data by transferring the existing system from a legacy PowerBuilder user interface to Dot NET technologies. The project is described more fully in the information technology **Appendix 3**.

DLS recommends that \$125,000 in general funds restricted in MDE's fiscal 2013 operating budget (the third quarter of the \$500,000 restricted) be released given that MDE has submitted the third quarterly report in accordance with the requirements of the fiscal 2013 budget bill language.

Recommended Actions

1. Add the following language to the general fund appropriation:

Provided that since the Maryland Department of the Environment (MDE) has had four or more repeat findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), \$100,000 of this agency's administrative appropriation may not be expended unless:

- (1) MDE has taken corrective action with respect to all repeat audit findings on or before January 1, 2014; and
- (2) a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days to review and comment to allow for funds to be released prior to the end of fiscal 2014.

Explanation: The Joint Audit Committee has requested that budget bill language be added for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each such agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency and a determination by OLA that each finding was corrected. OLA shall submit reports to the budget committees on the status of repeat findings.

Information Request	Author	Due Date
Report on corrected audit findings	MDE	45 days prior to the expenditure of funds

Current and Prior Year Budgets

Current and Prior Year Budgets Department of the Environment (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2012					
Legislative Appropriation	\$30,689	\$52,327	\$38,085	\$3,748	\$124,849
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	162	307	193	0	662
Reversions and Cancellations	0	-4,240	-3,099	-212	-7,551
Actual Expenditures	\$30,852	\$48,394	\$35,179	\$3,535	\$117,960
Fiscal 2013					
Legislative Appropriation	\$31,584	\$59,129	\$37,077	\$3,689	\$131,480
Budget Amendments	0	369	1,728	0	2,097
Working Appropriation	\$31,584	\$59,498	\$38,805	\$3,689	\$133,576

Note: Numbers may not sum to total due to rounding.

Fiscal 2012

MDE's general fund appropriation increased by a net of \$162,102 by budget amendment for allocating the general fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill (\$196,102), which is partially offset by the realignment to DNR of funds and 1 position associated with the transfer of aquaculture responsibilities per Natural Resources – Aquaculture (Chapter 411 of 2011) (\$34,000).

MDE's special fund appropriation decreased by \$3,932,984. The changes are as follows:

- **Budget Amendments** – an increase of \$306,661 for allocating the special fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill; and
- **Cancellations** – a decrease of \$4,239,645 primarily as a result of cancellations in Water Management Administration due to lower than anticipated revenue in certain funds and Wetlands and Waterways program projects which did not occur (\$1,920,018); Land Management Administration due to recycling grants not being issued, a poultry litter project not being conducted, and funding related to an ordnance product site (\$968,297); Air and Radiation Management Administration due to Regional Greenhouse Gas Initiative projects which were delayed as funding from the SEIF did not materialize (\$450,192); Major Information Technology Development Projects due to a project being completed at less than the originally anticipated cost (\$372,744); and Coordinating Offices due to unneeded death benefits for hazardous materials response team members and position vacancies (\$362,606).

MDE's federal fund appropriation decreased by \$2,906,421. The changes are as follows:

- **Budget Amendments** – an increase of \$192,874 for allocating the federal fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill; and
- **Cancellations** – a decrease of \$3,099,295 primarily as a result of cancellations in the Coordinating Offices due to reduced need for outside consultants on wastewater treatment plants, delays in the Environmental Information Network Exchange Program, and the charging of Engineering and Capital Project program personnel costs to other funds based on the projects in process (\$1,407,997); Air and Radiation Management Administration due to a reduced award under the Performance Partnership Grant (\$752,898); Water Management Administration due to timing and procurement process delays for the Water Supply Program tracking and data system (\$462,886); and Land Management Administration due to delayed mining projects (\$455,288).

MDE's reimbursable fund appropriation decreased by \$212,225. The change is due to cancellations primarily in the Science Services Administration due to reduced funding from the Maryland Port Administration for the Hart Miller Island project (\$101,605), and Land Management Administration due to reduced funding available from the Maryland Port Administration for Honeywell site activities (\$86,591).

Fiscal 2013

MDE's general fund appropriation does not change.

MDE's special fund appropriation increases by \$369,039 for allocating the fiscal 2013 special fund appropriation for the COLA since the General Assembly created a special fund source, Budget Restoration Fund, during the First Special Session of 2012 in order to fund the general fund share of the COLA.

MDE's federal fund appropriation increases by \$1,727,710 due to budget amendments. The increases are for a grant to Salisbury to fund the replacement of cast iron piping throughout Salisbury's Service Area in order to improve the reliability of the drinking water system (\$485,000), for grants to local governments for stream restoration projects under the Section 319 Nonpoint Source Implementation Grant Program (\$459,000); for contractual services in order to continue the Node 2.1 Project, which will enable programmatic data exchanges between MDE and EPA (\$408,000); for contractual services to meet site infrastructure requirements and for equipment to help meet new federal nitrogen dioxide near-road monitoring requirements (\$200,000); and for reallocating the fiscal 2013 special fund appropriation for the COLA (\$175,710).

MDE's reimbursable fund appropriation does not change.

Audit Findings

Audit Period for Last Audit:	April 1, 2007 – June 30, 2010
Issue Date:	November 2011
Number of Findings:	10
Number of Repeat Findings:	4
% of Repeat Findings:	30%
Rating: (if applicable)	n/a

Finding 1: Required EEMS status reports did not disclose certain significant functionality and cost issues impacting the system’s usefulness.

Finding 2: A process was not established to verify hazardous material facilities are in compliance with security standards.

Finding 3: Inspections of certain construction sites were not being performed as required by State regulations.

Finding 4: Did not establish adequate procedures over the Lead Poisoning Prevention Program to ensure properties were registered and fees paid.

Finding 5: Regulations governing the Bay Restoration Fund programs were not adopted.

Finding 6: The process for reviewing Septic System Program grants lacked oversight and questionable awards were noted.

Finding 7: Paid approximately \$225,000 to a former employee through eight consulting contracts, resulting in potential violations of various State laws.

Finding 8: Logging of certain database activity was incomplete and associated reports were not properly monitored.

Finding 9: User accounts and password controls did not comply with State requirements.

Finding 10: Current and complete disaster recovery plan did not exist.

*Bold denotes item repeated in full or part from preceding audit report.

**Finding 1 concerning the Enterprise Environmental Management System is comprised of two repeat findings that were merged in the most recent audit.

Major Information Technology Projects

Department of the Environment Environmental Permit Tracking System Modernization

Project Status¹	Planning	New/Ongoing Project:	New					
Project Description:	The Environmental Permit Tracking System Modernization project is intended to modernize how the Maryland Department of the Environment (MDE) captures permit data by transferring the existing system from a legacy PowerBuilder user interface to Dot NET technologies. The project will also support the Web Revamp Project by making ePermitting and eCommerce available to citizens and businesses.							
Project Business Goals:	The project will reduce the level of effort required to enter data in MDE's centralized permit tracking system and ensure that the technologies that support MDE's mission are cost effective and sustainable.							
Estimated Total Project Cost¹:	n/a	Estimated Planning Project Cost¹:	\$2,340,000					
Project Start Date:	The project is anticipated to begin in February 2013 with the development of the Task Order request for proposals.	Projected Completion Date:	Permit modernization and eCommerce go live on September 18, 2015.					
Schedule Status:	Planning and requirements analysis are planned to last from February 2013 to April 2014. Implementation is planned to begin in June 2014.							
Cost Status:	No funding has been awarded or spent to date. MDE appears to reflect a higher cost estimate (\$3.3 million) than the Department of Information Technology (\$2.3 million), but this may be due to whether both planning and implementation are being counted (perhaps MDE's estimate) or just planning funding (perhaps the Department of Information Technology estimate).							
Scope Status:	The scope is a plan at this stage.							
Project Management Oversight Status:	The Department of Information Technology has approved the information technology request.							
Identifiable Risks:	Funding is the only medium level risk. MDE notes that the technology is proven, but that it is new to MDE.							
Additional Comments:	Special funds may be used instead of general funds in the future if they become available.							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Balance to Complete	Total
Personnel Services	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Professional and Outside Services	0.0	0.6	1.8	0.0	0.0	0.0	0.0	2.4
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$0.0	\$0.6	\$1.8	\$0.0	\$0.0	\$0.0	\$0.0	\$2.4

¹ In calendar 2011, a two-step approval process was adopted. Initially, an agency submits a Project Planning Request. After the requirements analysis has been completed and a project has completed all of the planning required through Phase Four of the Systems Development Lifecycle (Requirements Analysis), including a baseline budget and schedule, the agency may submit a Project Implementation Request and begin designing and developing the project when the request is approved. For planning projects, costs are estimated through planning phases. Implementation projects are required to have total development costs.

**Object/Fund Difference Report
Department of the Environment**

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	931.00	929.00	937.00	8.00	0.9%
02 Contractual	25.07	49.50	68.00	18.50	37.4%
Total Positions	956.07	978.50	1,005.00	26.50	2.7%
Objects					
01 Salaries and Wages	\$ 78,489,968	\$ 78,555,265	\$ 81,806,851	\$ 3,251,586	4.1%
02 Technical and Spec. Fees	1,253,388	2,113,565	2,384,985	271,420	12.8%
03 Communication	649,209	618,877	655,100	36,223	5.9%
04 Travel	185,905	87,222	92,311	5,089	5.8%
06 Fuel and Utilities	426,359	511,899	444,247	-67,652	-13.2%
07 Motor Vehicles	1,451,792	1,566,043	1,791,739	225,696	14.4%
08 Contractual Services	16,238,896	21,209,998	17,872,002	-3,337,996	-15.7%
09 Supplies and Materials	1,108,954	1,471,292	1,423,557	-47,735	-3.2%
10 Equipment – Replacement	672,439	1,360,074	1,367,281	7,207	0.5%
11 Equipment – Additional	349,985	863,000	225,450	-637,550	-73.9%
12 Grants, Subsidies, and Contributions	8,433,497	11,335,652	9,715,966	-1,619,686	-14.3%
13 Fixed Charges	4,085,593	4,268,400	4,422,550	154,150	3.6%
14 Land and Structures	4,613,904	9,615,000	9,431,200	-183,800	-1.9%
Total Objects	\$ 117,959,889	\$ 133,576,287	\$ 131,633,239	-\$ 1,943,048	-1.5%
Funds					
01 General Fund	\$ 30,851,560	\$ 31,584,489	\$ 33,967,000	\$ 2,382,511	7.5%
03 Special Fund	48,394,308	59,497,990	60,655,371	1,157,381	1.9%
05 Federal Fund	35,178,551	38,805,025	33,763,657	-5,041,368	-13.0%
09 Reimbursable Fund	3,535,470	3,688,783	3,247,211	-441,572	-12.0%
Total Funds	\$ 117,959,889	\$ 133,576,287	\$ 131,633,239	-\$ 1,943,048	-1.5%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

**Fiscal Summary
Department of the Environment**

<u>Program/Unit</u>	<u>FY 12 Actual</u>	<u>FY 13 Wrk Approp</u>	<u>FY 14 Allowance</u>	<u>Change</u>	<u>FY 13 - FY 14 % Change</u>
01 Office of the Secretary	\$ 2,234,499	\$ 2,420,219	\$ 2,580,773	\$ 160,554	6.6%
02 Administrative and Employee Services Administration	7,775,333	8,448,960	8,454,065	5,105	0.1%
04 Water Management Administration	28,851,568	30,032,338	29,869,389	-162,949	-0.5%
05 Technical and Regulatory Services Administration	12,826,646	13,474,242	12,227,255	-1,246,987	-9.3%
06 Land Management Administration	28,099,340	30,460,595	32,603,378	2,142,783	7.0%
07 Air and Radiation Management Administration	18,055,431	20,176,629	18,998,292	-1,178,337	-5.8%
10 Coordinating Offices	20,117,072	28,563,304	26,900,087	-1,663,217	-5.8%
Total Expenditures	\$ 117,959,889	\$ 133,576,287	\$ 131,633,239	-\$ 1,943,048	-1.5%
General Fund	\$ 30,851,560	\$ 31,584,489	\$ 33,967,000	\$ 2,382,511	7.5%
Special Fund	48,394,308	59,497,990	60,655,371	1,157,381	1.9%
Federal Fund	35,178,551	38,805,025	33,763,657	-5,041,368	-13.0%
Total Appropriations	\$ 114,424,419	\$ 129,887,504	\$ 128,386,028	-\$ 1,501,476	-1.2%
Reimbursable Fund	\$ 3,535,470	\$ 3,688,783	\$ 3,247,211	-\$ 441,572	-12.0%
Total Funds	\$ 117,959,889	\$ 133,576,287	\$ 131,633,239	-\$ 1,943,048	-1.5%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.