

U00A
Department of the Environment

Operating Budget Data

(\$ in Thousands)

	FY 15 Actual	FY 16 Working	FY 17 Allowance	FY 16-17 Change	% Change Prior Year
General Fund	\$32,212	\$32,345	\$32,184	-\$161	-0.5%
Deficiencies and Reductions	0	0	-82	-82	
Adjusted General Fund	\$32,212	\$32,345	\$32,102	-\$242	-0.7%
Special Fund	61,360	77,363	88,845	11,482	14.8%
Deficiencies and Reductions	0	1,450	-127	-1,577	
Adjusted Special Fund	\$61,360	\$78,813	\$88,719	\$9,905	12.6%
Federal Fund	33,712	34,197	33,523	-674	-2.0%
Deficiencies and Reductions	0	485	-71	-556	
Adjusted Federal Fund	\$33,712	\$34,682	\$33,452	-\$1,230	-3.5%
Reimbursable Fund	3,942	5,370	4,046	-1,323	-24.6%
Adjusted Reimbursable Fund	\$3,942	\$5,370	\$4,046	-\$1,323	-24.6%
Adjusted Grand Total	\$131,225	\$151,210	\$158,319	\$7,109	4.7%

- The Governor has submitted a deficiency appropriation for the fiscal 2016 operating budget, which would increase the Maryland Department of the Environment's (MDE) Land Management Administration special fund appropriation by \$1,450,000 to reimburse costs using the Oil Contaminated Site Environmental Cleanup Fund (\$750,000) and also to support additional contractual employees working with lead property registrations and improve lead registry databases from the Lead Poisoning Prevention Fund (\$700,000); and to increase the Coordinating Offices' federal fund appropriation by \$485,000 for a grant to Salisbury to support water system improvements.
- The overall adjusted change in the MDE fiscal 2016 budget is an increase of \$7.1 million, or 4.7%. The single largest change in the budget is an \$11.5 million increase in Bay Restoration Fund revenue bond debt service.

For further information contact: Andrew D. Gray

Phone: (410) 946-5530

Personnel Data

	FY 15 <u>Actual</u>	FY 16 <u>Working</u>	FY 17 <u>Allowance</u>	FY 16-17 <u>Change</u>
Regular Positions	936.00	939.00	934.00	-5.00
Contractual FTEs	<u>28.15</u>	<u>59.50</u>	<u>40.50</u>	<u>-19.00</u>
Total Personnel	964.15	998.50	974.50	-24.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	65.38	7.00%
Positions and Percentage Vacant as of 12/31/15	77.00	8.20%

- MDE regular positions decrease by 5.00 between the fiscal 2016 working appropriation and the fiscal 2017 allowance. The abolished positions are all filled and are as follows: 1.0 physician program staff in Science Services Administration, 1.0 regulatory compliance engineer-architect III in Land Management Administration, 2.0 computer specialist II in Coordinating Offices – Office of Information Management and Technology, and 1.0 administrator III in Coordinating Offices – Office of Information Management and Technology.
- MDE has 19.0 positions that have been vacant for more than a year as of December 31, 2015.
- MDE contractual full-time equivalents (FTE) decrease by 19.0 in the fiscal 2017 allowance. The decreases are as follows: 6.0 FTEs in Land Management Administration, 4.0 FTEs in Water Management Administration, 4.0 FTEs in Air and Radiation Management Administration, 3.0 FTEs in Coordinating Offices, and 2.0 FTEs in Operational Services Administration.
- The MDE turnover rate increased from 6.93% in the fiscal 2016 working appropriation to 7.0% in the fiscal 2017 allowance, which reflects an increase from 65.07 necessary vacancies to 65.38 necessary vacancies. The MDE vacancy rate as of December 31, 2015, was 8.20%, or 77.0 vacancies, which is relatively high but will enable MDE to meet its budgeted turnover. The MDE vacancy rate was 11.49% on July 1, 2008, then steadily decreased to 4.02% on January 1, 2010. Since then it has increased to 8.20% as of December 31, 2015. Therefore, the MDE vacancy rate is at the high end of what is normal for the agency.
- The MDE deputy secretary position was deleted and an executive VIII position was added between fiscal 2016 and 2017, which MDE notes is simply a change in classification.

Analysis in Brief

Major Trends

State Agencies Recycling Goals Foiled: State agencies achieved an overall recycling rate of 31.12% in calendar 2014. However, of the 37 State agencies, only 13 met the 30.0% goal and 24 did not. In addition, only 8 agencies have already met the calendar 2015 goal of 40.0%, based on the calendar 2014 data, and 29 have not met the 40.0% goal or appear to be on track to do so. **The Department of Legislative Services (DLS) recommends that MDE comment on how agencies will meet the calendar 2015 40.0% recycling goal and what the preliminary data says about this goal.**

Power Plant Emissions Driven by the Market: The amount of greenhouse gas (GHG) emissions emitted from power plants decreased from 24.5 million tons per year in calendar 2011 to 21.0 million tons in calendar 2012 and has remained at that level. Similarly, the amount of criteria pollutants (sulfur oxides, nitrogen oxides, ground-level ozone, particulate matter, lead and carbon monoxide) decreased from 57,000 tons per year to 44,000 tons per year in calendar 2012 and have changed little since then. MDE notes that the reductions in both criteria pollutants and GHG emissions are linked to the fact that power plants were operated less in calendar 2012 than in calendar 2011 due to market forces and the way in which various plants are called into service by the electrical grid manager. **DLS recommends that MDE comment on what dictates the operating times of plants and how this correlates with GHG and criteria pollutant emissions reductions.**

Childhood Blood Lead Levels Still Declining: Over the fiscal 2011 to 2017 estimated time period, there are approximately 110,000 children tested each year and the reported levels of blood lead, both between 5 and 9 micrograms per deciliter and greater than 10 grams per deciliter (the current standard), have been declining. MDE attributes the decline in blood lead levels to the oversight and enforcement of Maryland’s “Reduction of Lead Risk in Housing Act,” which requires owners of pre-1978 rental dwelling units to reduce the potential for child exposure to lead paint hazards by performing specific lead risk reduction treatments prior to each change in tenancy. **DLS recommends that MDE comment on the status of the discussion concerning universal testing and the impact on the prevalence of childhood blood lead levels, both between 5 and 9 micrograms per deciliter and greater than 10 micrograms per deciliter.**

Issues

More Fee Reductions on the Way: The Administration implemented fee reductions on September 15, 2015. In addition, the Administration has introduced SB 389 and HB 459 (Fee, Surcharge, and Tax Reduction Act of 2016) in the 2016 session that would modify the allocation of the Strategic Energy Investment Fund and reduce the Wetlands and Waterways Program fee for minor projects or general permits (those impacting less than 5,000 square feet), from \$750 to \$500. **DLS recommends that MDE comment on the impact on revenues and agency operations of the proposed reduction in the fee for minor projects or general permits, from \$750 to \$500, and whether MDE has any plans to convene a work group to review and assess the performance of**

the Wetlands and Waterways Program and the adequacy of any amended application fees to support an effective program.

Sediment and Erosion Control Inspection Positions Reclassified: The MDE January 2015 audit completed by the Office of Legislative Audits contained two repeat findings, one of which was the finding that there are insufficient resources to inspect every active construction site for compliance with erosion and sediment control plans on average of once every two weeks in accordance with State regulations. As a result, the General Assembly requested a report on how MDE will meet the inspection requirement, and added budget bill language restricting funding unless 6 positions are reclassified by January 1, 2016, for statewide inspections. The positions have been reclassified and MDE is looking to modify the regulations requiring the inspections every two weeks. **DLS recommends that MDE comment on the timeframe for updating its database to capture reissuance/expiration dates, the response to and current status of expanded delegation to counties, and the status of the meeting to amend the regulatory language mandating that all sites be inspected on average once every two weeks.**

Maryland Energy Administration Co-locating with MDE: The Maryland Energy Administration's website notifies that it co-located with MDE on December 16, 2015. The co-location raises a number of concerns related to the process, timing, cost and savings, and reason for the move. **DLS recommends that MDE comment on (1) the justification for the co-location; (2) the type of costs incurred in the move and reconfiguration of MDE space, when the costs were or will be incurred and by whom; (3) the amount and fund source associated with each cost; and (4) the expected long-term cost savings associated with the move and explanations for how these cost savings will be achieved.**

Lead Paint Issues Linger: Lead poisoning prevention has garnered a substantial amount of interest since the identification that Freddie Gray – who died in Baltimore City after being apprehended by police in April 2015 – had childhood lead poisoning. In addition, the Administration has expanded the universe of children tested for lead paint poisoning, which will potentially increase costs for inspections conducted by either MDE or local health departments. Most recently, MDE announced on January 28, 2016, that it has opened an investigation to determine whether rental properties certified by a private inspector are actually lead free. **DLS recommends that MDE comment on the status of resolving the January 2015 lead paint audit findings and of working with the Department of Information Technology on the upgrade of the lead rental property registration and certification databases; the costs associated with the universal lead testing program for children ages one to two years old; and whether a State contract for inspections, audits and spots checks of lead rental properties is necessary given the potential for fraud reported on January 28, 2016.**

Recommended Actions

1. Concur with Governor's allowance.

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 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. In addition, this administration coordinates lead poisoning prevention efforts.
- ***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 (BPW) activities; coordinates public information and outreach; provides hazardous chemical and oil spill emergency response services; provides legal advice; and information technology services.

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

- provide excellent customer service and community outreach;
- manage air quality and emissions for maximum protection of human health and the environment;
- reduce Maryland citizens' exposure to hazards; and
- protect water resources and ensure safe and adequate drinking water.

Performance Analysis: Managing for Results

The MDE Managing for Results measures show (1) State agencies facing a steep climb to the statewide agency recycling goal of 40% by calendar 2015; (2) power plant emissions being driven by the market, particularly in calendar 2011; and (3) childhood blood lead levels declining.

1. State Agencies Recycling Goals Foiled

MDE has the goal to provide excellent customer service and community outreach. MDE has an objective of supporting and tracking statewide recycling efforts. The State leads by example with its own Maryland Recycling Act (1988) provision to achieve an overall State agency recycling rate – defined as recycling amount divided by total waste generated – of at least 20%. Subsequently, Chapter 692 of 2012 (Environment – Recycling Rates and Waste Diversion – Statewide Goals) raised the required recycling rate to 30% for calendar 2014, although there is a *proviso* that if the target is determined to not be practical or economically feasible, the bill increases, from 10% to 15%, the minimum required level of recycling that must be achieved. According to the MDE Summer 2015 *All State Agencies Recycle News*, MDE asked all State agencies to set a recycling goal of at least 40% in calendar 2015.

As shown in **Exhibit 1**, State agencies achieved an overall recycling rate of 31.12% in calendar 2014. However, of the 37 State agencies, only 13 agencies met the 30.0% goal and 24 did not. In addition, only 8 agencies met the calendar 2015 goal of 40.0%, based on the calendar 2014 data, and 29 agencies did not meet the 40.0% goal.

Exhibit 1
Maryland State Agencies' 2014 Recycling Rates
Calendar 2014

<u>Agency Name</u>	<u>No. of Sites</u>	<u>No. of Sites Reporting</u>	<u>No. of People</u>	<u>Total MRA Recycling 2014 (Tons)</u>	<u>2014 MRA Recycling Rate (%)</u>	<u>Met 2014 30% Goal</u>	<u>Met 2015 40% Goal Yet</u>
Comptroller of the Treasury	1	1	800	126	81.39	Met	Met
Department of Budget and Management	1	1	185	31	73.63	Met	Met
Maryland Environmental Service	4	4	253	17	62.77	Met	Met
Subsequent Injury Fund	1	1	17	4	60.46	Met	Met
Maryland Insurance Administration	1	1	1,235	24	51.22	Met	Met
Department of the Environment	5	5	970	59	43.47	Met	Met
Department of Transportation	83	83	25,826	9,999	43.19	Met	Met
Maryland Energy Administration	1	1	34	1	40.91	Met	Met
University of Maryland System	17	15	81,978	8,393	39.04	Met	Not Yet
Maryland Automobile Insurance Fund	1	1	250	55	38.61	Met	Not Yet
Department of General Services	23	23	7,803	712	31.49	Met	Not Yet
Maryland Stadium Authority	1	1	1,000	782	31.02	Met	Not Yet
Maryland State Archives	1	1	84	9	30.39	Met	Not Yet
Department of Human Resources	33	11	1,511	114	29.50	Not Met	Not Yet
Department of Veterans Affairs	12	5	800	243	29.08	Not Met	Not Yet
Department of Labor, Licensing, and Regulation	14	13	1,348	236	28.49	Not Met	Not Yet
Department of Education	30	30	1,411	162	28.43	Not Met	Not Yet
Department of Assessments and Taxation	15	13	1,153	18	24.73	Not Met	Not Yet
Department of Public Safety and Correctional Services	35	7	20,961	2,260	24.42	Not Met	Not Yet
Maryland Department of Planning	1	1	35	33	22.60	Not Met	Not Yet
Maryland State Police	27	27	1,715	299	22.21	Not Met	Not Yet
Morgan State University	1	1	9,241	218	21.27	Not Met	Not Yet
Maryland Public Broadcasting Commission	1	1	211	76	21.01	Not Met	Not Yet
Maryland School for the Deaf	2	2	989	51	20.99	Not Met	Not Yet
Department of Juvenile Services	15	15	2,894	498	16.27	Not Met	Not Yet
Department of Agriculture	2	2	216	25	14.68	Not Met	Not Yet
Governor's Office of Crime Control and Prevention	1	1	800	3	12.08	Not Met	Not Yet

U00A – Department of the Environment

<u>Agency Name</u>	No. of Sites	No. of Sites Reporting	No. of People	Total MRA Recycling 2014 (Tons)	2014 MRA Recycling Rate (%)	Met 2014 30% Goal	Met 2015 40% Goal Yet
Department of Housing and Community Development	3	3	431	45	11.04	Not Met	Not Yet
Department of Natural Resources	6	6	529	39	8.84	Not Met	Not Yet
Department of Health and Mental Hygiene	18	11	4,950	428	7.47	Not Met	Not Yet
Maryland Food Center Authority	1	1	1,325	303	5.09	Not Met	Not Yet
Baltimore City Community College	1	1	8,796	4	1.23	Not Met	Not Yet
Maryland Department of Disabilities	1	1	24	0.10	1.16	Not Met	Not Yet
Judiciary of Maryland	1	0	0	0	0	Not Met	Not Yet
Maryland General Assembly	1	0	0	0	0	Not Met	Not Yet
Maryland Military Department	33	0	0	0	0	Not Met	Not Yet
St. Mary's College of Maryland	1	0	0	0	0	Not Met	Not Yet
Total	395	290	179,775	25,266	31.12	n/a	n/a

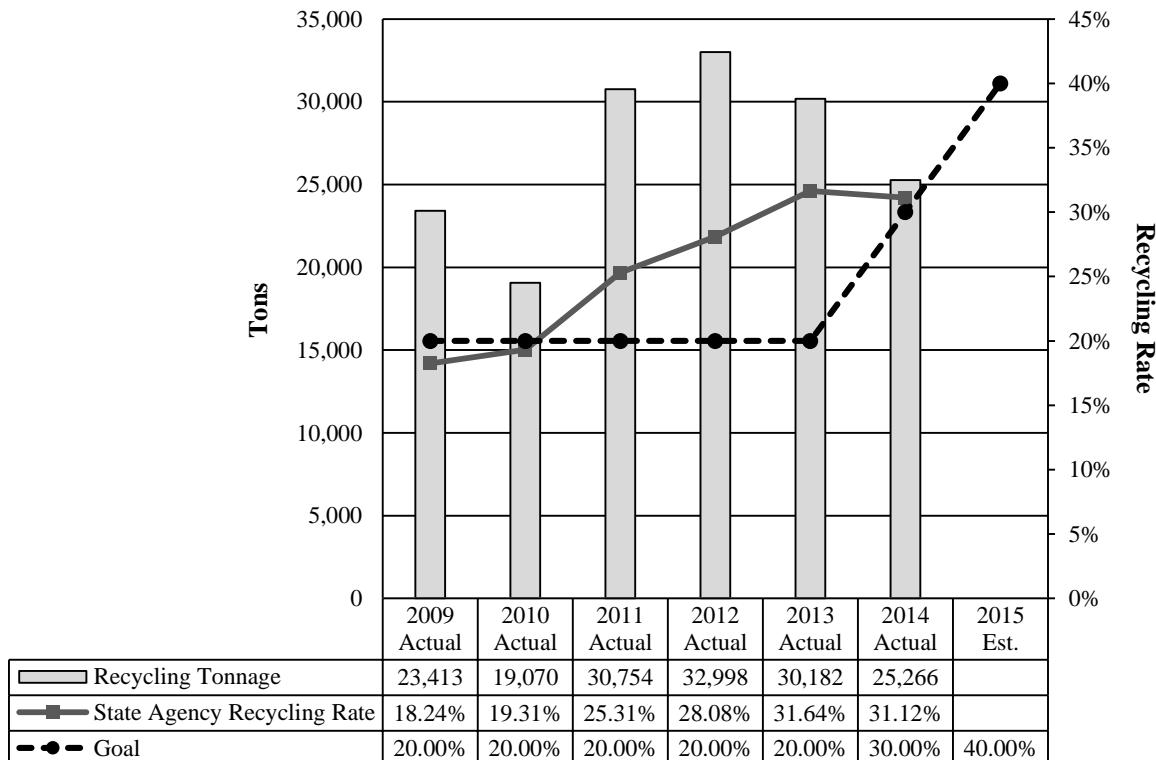
MRA: Maryland Recycling Act

Note: The MRA recycling rate is defined as the total MRA recycling divided by total solid waste generated and multiplied by 100.

Source: Maryland Department of the Environment, *All State Agencies Recycle News*, Summer 2015; Department of Legislative Services

Exhibit 2 shows the recent history for the State agency recycling rate. Between calendar 2009 and 2010, the State agencies were below the 20% recycling rate, but between calendar 2011 and 2014, exceeded the goal. The calendar 2015 goal of 40% appears to be a challenge given the recent trends. **The Department of Legislative Services (DLS) recommends that MDE comment on how agencies will meet the calendar 2015 40% recycling goal and what the preliminary data says about this goal.**

Exhibit 2
Maryland State Agency Recycling Rate
Calendar 2009-2015

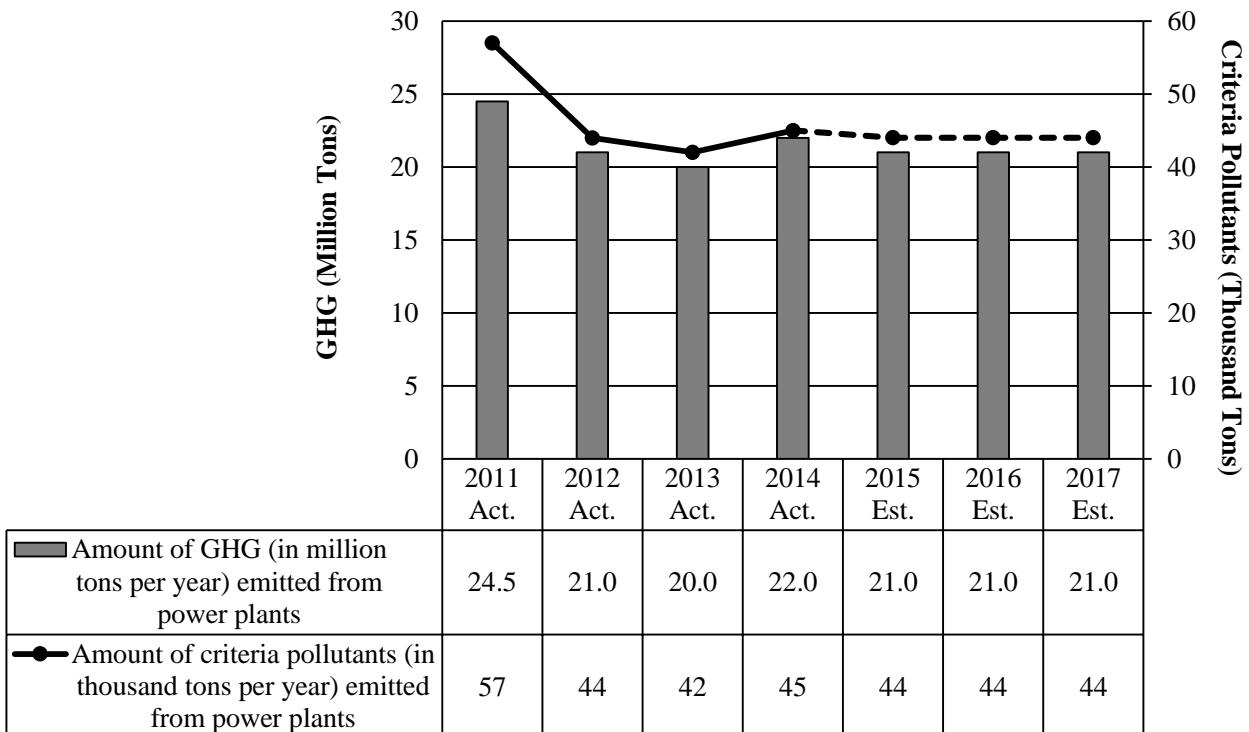


Source: Maryland Department of the Environment, *2014 Maryland Solid Waste Management and Diversion Report* (Calendar 2013 Data); All State Agencies Recycle News, Summer 2015

2. Power Plant Emissions Driven by the Market

MDE has the goal to manage air quality and emissions for maximum protection of human health and the environment. MDE has objectives to reduce greenhouse gas (GHG) emissions and to reduce emissions of criteria pollutants from power plants. As shown in **Exhibit 3**, the amount of GHG emissions emitted from power plants decreased from 24.5 million tons per year in calendar 2011 to 21.0 million tons per year in calendar 2012, but has remained at that level through calendar 2015. Similarly, over the same time period, the amount of criteria pollutants (sulfur oxides, nitrogen oxides, ground-level ozone, particulate matter, lead and carbon monoxide) decreased from 57,000 tons per year to 44,000 tons per year, but has remained at that level through calendar 2015.

Exhibit 3
Power Plant Emissions
Calendar 2011-2017 Est.



GHG: greenhouse gas

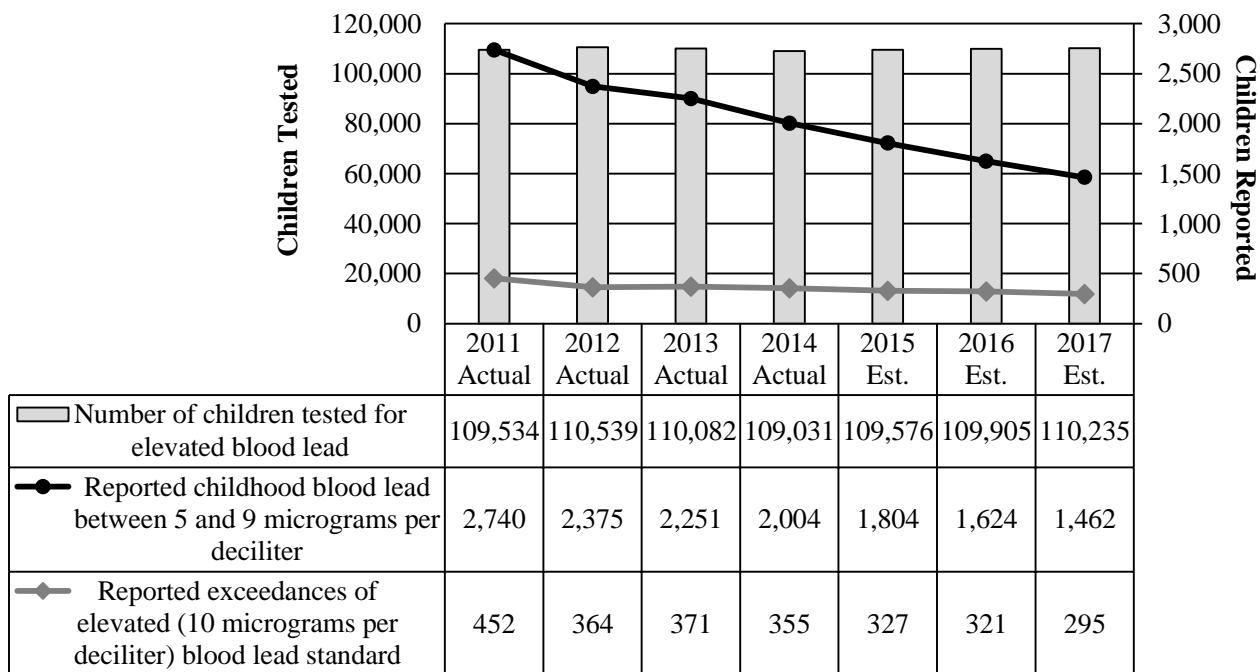
Source: Department of Budget and Management

MDE notes that the reductions in both criteria pollutants and GHG emissions are linked to the fact that power plants were operated less in calendar 2012 than they were in calendar 2011, due to market forces and the way in which various plants are called into service by the electrical grid manager. MDE further notes that there will be reductions in the emissions of nitrogen oxides starting in calendar 2015 as a result of the recently promulgated nitrogen oxides rules, although this will depend on changes in the operating times of plants. **DLS recommends that MDE comment on what dictates the operating times of plants and how this correlates with GHG and criteria pollutant emissions reductions.**

3. Childhood Blood Lead Levels Still Declining

A second objective, under the MDE goal to reduce Maryland citizens' exposure to hazards, is to reduce the number of elevated blood lead levels found in children. **Exhibit 4** shows that from fiscal 2011 to 2015, there have been approximately 110,000 children tested each year and that the number of reported levels of blood lead, both between 5 and 9 micrograms per deciliter and greater than 10 grams per deciliter (the current standard), have been declining. MDE attributes the decline in blood lead levels to the oversight and enforcement of Maryland's "Reduction of Lead Risk in Housing Act," which requires owners of pre-1978 rental dwelling units to reduce the potential for child exposure to lead paint hazards by performing specific lead risk reduction treatments prior to each change in tenancy. In turn, these treatments are verified by an MDE-accredited third-party inspector and submitted to MDE. MDE also notes that it has allocated money for outreach and education through service to educate tenants, property owners, and the accredited lead community about primary prevention. However, the implementation of statewide universal testing will increase the number of children tested in fiscal 2016 and 2017, and presumably the prevalence of childhood blood lead levels, both between 5 and 9 micrograms per deciliter and greater than 10 micrograms per deciliter. **DLS recommends that MDE comment on the status of the discussion concerning universal testing and the impact on the prevalence of childhood blood lead levels, both between 5 and 9 micrograms per deciliter and greater than 10 micrograms per deciliter.**

Exhibit 4
Reported Childhood Blood Lead Levels
Fiscal 2011-2017 Est.



Source: Department of Budget and Management; Maryland Department of the Environment

Fiscal 2016 Actions

There are two sets of actions that affect the MDE fiscal 2016 budget. The two actions are proposed deficiencies and cost containment.

Proposed Deficiency

The Governor has submitted deficiency appropriations for the fiscal 2016 operating budget which would increase the MDE Land Management Administration special fund appropriation by \$1,450,000 for two purposes and increase Coordinating Offices' federal fund appropriation by \$485,000. The funding would be used as follows.

- ***Oil Containment Site Environmental Cleanup Program:*** An increase of \$750,000 in special funds in Land Management Administration to provide grants to reimburse costs using the Oil Contaminated Site Environmental Cleanup Fund because the revenue was not available when the fiscal 2016 budget was prepared.
- ***Lead Poisoning Prevention Program Support:*** An increase of \$700,000 in special funds in the Land Management Administration in order to support additional contractual employees working with lead property registrations and improve lead registry databases from the Lead Poisoning Prevention Fund.
- ***Salisbury Water System Improvements:*** An increase of \$485,000 in federal funds in Coordinating Offices from the U.S. Environmental Protection Agency's Congressionally Mandated Projects from federal fiscal 2010 funding for a one-time grant – on a cost-share basis at 55% of the eligible project cost – to Salisbury to support water systems such as the replacement of cast iron piping in order to improve the reliability of the drinking water system.

Cost Containment

The MDE fiscal 2016 budget is reduced by the 2% across-the-board reduction implemented in the 2015 session. The MDE share of the reduction was \$398,000 in general funds in the operating program and \$300,000 in general funds in the pay-as-you-go (PAYGO) capital programs as shown in **Exhibit 5**.

Exhibit 5
2% Across-the-board Reductions for MDE
Fiscal 2016

<u>Program</u>	<u>Action</u>	<u>Funding</u>	<u>Position</u>
<i>Operating</i>			
Water Management Administration	Use non-general funds from savings related to the merit increases that were eliminated in fiscal 2016 in-lieu of general funds (\$220,405); eliminate vacant contractual staff attorney position and use special funds appropriated for this function in-lieu of general funds (\$48,595); and eliminate the Maryland Center for Environmental Training contractor responsible for reviewing plans, designs, and cost estimates during the water and sewer pre-application process and use special funds appropriated for this function in-lieu of general funds (\$25,000).	\$294,000	0.00
Science Services Administration	Shift support for an information programmer analyst lead/advanced position in the Science Services Administration from general funds to non-general funds and reassign the position to be a geologist III environmental programs position in the Land Management Administration for a contractual conversion.	72,000	0.00
Land Management Administration	Shift support for an office secretary III position in Land Management Administration from general funds to non-general funds and reassign the position to be a designated administrative manager I in Coordinating Offices.	32,000	0.00
<i>Subtotal</i>		\$398,000	0.00
<i>PAYGO Capital</i>			
Hazardous Substance Clean-Up Program	Reduce the \$700,000 appropriation to \$400,000.	\$300,000	0.00
<i>Subtotal</i>		\$300,000	0.00
<i>Total</i>		\$698,000	0.00

MDE: Maryland Department of the Environment
PAYGO: pay-as-you-go

Source: Department of Budget and Management

Proposed Budget

The MDE fiscal 2017 adjusted allowance increases by \$7.1 million, or 4.7%, relative to the fiscal 2016 adjusted working appropriation, as shown in **Exhibit 6**. The changes by fund reflect a decrease of \$0.2 million in general funds, an increase of \$9.9 million in special funds, a decrease of \$1.2 million in federal funds, and a decrease of \$1.3 million in reimbursable funds. The single largest change in the budget is an increase of \$11.5 million in special funds for debt service on Bay Restoration Fund revenue bonds. Changes in personnel funding are discussed first and then other changes.

Employee increments and associated expenses (including Social Security, retirement, unemployment compensation, and turnover) are included in the budget of the Department of Budget and Management (DBM); \$1,411,954 in total funds comprised of \$307,540 in general funds, \$671,085 in special funds, \$364,772 in federal funds, and \$68,558 in reimbursable funds will be distributed to MDE by budget amendment for the start of the fiscal year.

Exhibit 6
Proposed Budget
Department of the Environment
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2015 Actual	\$32,212	\$61,360	\$33,712	\$3,942	\$131,225
Fiscal 2016 Working Appropriation	32,345	78,813	34,682	5,370	151,210
Fiscal 2017 Allowance	<u>32,102</u>	<u>88,719</u>	<u>33,452</u>	<u>4,046</u>	<u>158,319</u>
Fiscal 2016-2017 Amount Change	-\$242	\$9,905	-\$1,230	-\$1,323	\$7,109
Fiscal 2016-2017 Percent Change	-0.7%	12.6%	-3.5%	-24.6%	4.7%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance.....	\$1,467
Retirement contribution.....	1,668
Other fringe benefit adjustments	29
Social Security contribution	-89
Turnover adjustments	-100
Workers' compensation.....	-155
Abolished/transferred positions.....	-618
Fiscal 2016 adjustments	-1,042

Where It Goes:

Other Changes

Protect Water Resources

Bay Restoration Fund debt service.....	11,500
Digital floodplain mapping and wetland habitat conservation.....	470
Hire inspectors for Energy-Water Infrastructure Program	100
Maryland Center for Environmental Training design/construction activity review.....	-100
In-lieu fee nontidal wetland projects	-600

Routine Operations

Utilities – electricity	-103
Net reduction in lease payments for emergency response vehicles and computers	-185
Cloud based data backup.....	-189
Vehicle expenses	-229
Contractual full-time equivalents decrease by 19.0 and partial one-time deficiency....	-363
Environmental Permit Tracking System Modernization Project funding	-1,206

Exposure to Hazards

Pay-as-you-throw analysis	333
Abandoned mine reclamation projects	216
Grants for blood lead medical and environmental case management	-200
Electronics recycling grants to counties and municipalities.....	-215
Online Lead Rental Registry	-238
Reduced oil spill investigation/remediation work	-290
One-time deficiency for Salisbury water system improvements.....	-485
One-time deficiency for oil spill reimbursements	-750
Statewide Waste Audit, Scrap Tire Drop-Off Day, and Rock Hall tire cleanup	-1,130

Manage Air Quality and Emissions

Other.....	-79
One-time air monitoring equipment purchase.....	-128
One-time replacement of gas chromatograph/mass spectrometer and attachments.....	-180

Total **\$7,109**

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

Personnel

Changes by Category

MDE overall personnel expenditures increase by \$1,159,727 in the fiscal 2017 adjusted allowance. Of note, this increase includes an across-the-board reduction that reduces MDE personnel expenses by \$279,246. The personnel changes are as follows.

- ***Employee and Retiree Health Insurance:*** There is an increase of \$1,466,799.
- ***Retirement Contribution:*** There is an increase of \$1,668,427.
- ***Abolished/Transferred Positions:*** There is a decrease of \$618,399 for the 5 abolished positions.
- ***Workers' Compensation:*** There is a decrease of \$155,423 for workers' compensation.
- ***Turnover Adjustments:*** There is a decrease of \$99,660.
- ***Social Security Contribution:*** There is a decrease of \$88,552 for Social Security contribution.

Other Changes

Overall, the nonpersonnel portion of the MDE fiscal 2016 adjusted allowance increases by \$5,949,487. The areas of change may be broadly categorized as activities related to the protection of water resources, routine operations, exposure to hazards, and managing air quality and emissions. The biggest change is an increase of \$11,500,000 in special funds for Bay Restoration Fund revenue bond debt service. Larger changes are as follows.

Protect Water Resources

- ***Bay Restoration Fund Revenue Bond Debt Service:*** There is an increase of \$11,500,000 in special funds in Coordinating Offices – Bay Restoration Fund Debt Service that reflects the increased debt service as a result of the November 2015 issuance of \$180.0 million in revenue bonds plus \$16.9 million in bond premiums for wastewater treatment upgrades to enhanced nutrient removal technology.
- ***Digital Floodplain Mapping and Wetland Habitat Conservation:*** There is an increase of \$470,000 comprised of an increase of \$500,000 in federal funds, a decrease of \$22,500 in reimbursable funds, and a decrease of \$7,500 in general funds in the Water Management Administration – Wetlands and Waterways, primarily for additional digital floodplain mapping work both in Montgomery County and statewide by the Maryland Environmental Service (MES) using Cooperating Technical Partners Grant federal funding and for improving habitat

conservation in wetlands by the Department of Natural Resources (DNR) using Wetlands Program Development Grant federal funding.

- ***In-lieu Fee Nontidal Wetland Projects:*** There is a decrease of \$600,000, comprised of an \$800,000 special fund decrease and \$200,000 federal fund increase, in the Water Management Administration – Wetlands and Waterways due to a reduction in the funding associated with a Memorandum of Understanding with the Chesapeake Bay Trust for development of an in-lieu fee for nontidal wetland projects within specific services that is offset partially by a new grant for investigating living shoreline projects.

Routine Operations

- ***Environmental Permit Tracking System Modernization Project Funding:*** There is a decrease of \$1,206,028 in reimbursable funds that were transferred in fiscal 2016 from the Department of Information Technology (DoIT) Major Information Technology Development Project Fund (MITDF) to the MDE Major Information Technology Development Program for the Environmental Permit Tracking System Modernization Project, which will update how permit data is captured through the use of Dot Net technologies. MDE notes that the fiscal 2016 funding reflects funding from fiscal 2014 and 2015 (\$456,028), and 2016 (\$750,000). MDE also notes that it is working on two critical deliverables for the planning phase of the project: the Functional Requirements Document and the Task Order Request for Proposals for the implementation phase of the project. Finally, it is noted that there is \$1,490,000 in general funds in the DoIT MITDF for fiscal 2017, of which \$50,000 is programmed for DoIT oversight of the project.
- ***Contractual Full-time Equivalents Decrease by 19.0 and Partial One-time Deficiency:*** The MDE contractual FTEs complement decrease by 19.0 FTEs, as shown in **Exhibit 7**. MDE notes that the reduction in FTEs reflects a combination of straight reductions, contractual conversions, and vacancies that were determined to be unneeded. Funding decreases by \$362,529, which reflects a reduction of \$215,319 for the 19.0 FTEs and a reduction of \$147,210 since only a portion of the \$300,000 fiscal 2016 deficiency for contractual FTEs carries over to fiscal 2017.

Exhibit 7
Contractual Full-time Equivalent Changes
Fiscal 2017 Allowance

<u>Program</u>	<u>Change</u>
Land Management Administration	-6.0
Water Management Administration	-4.0
Air and Radiation Management Administration	-4.0
Coordinating Offices	-3.0
Operational Services Administration	-2.0
Total	-19.0

Source: Maryland Department of the Environment

Exposure to Hazards

- ***Statewide Waste Audit, Scrap Tire Drop-Off Day, and Rock Hall Tire Cleanup:*** There is a decrease of \$1,130,000 in special funds in the Land Management Administration – Resource Assessment Program due to a statewide waste audit and the Scrap Tire Citizen and Agricultural Drop-Off Day that are not being conducted as well as the end of funding for the Rock Hall scrap tire stockpile cleanup.

Across-the-board Reductions

The fiscal 2017 budget bill includes an across-the-board reduction for employee health insurance, based on a revised estimate of the amount of funding needed. The MDE share of these reductions totals \$279,246 and is comprised of \$81,574 in general funds, \$126,696 in special funds, and \$70,976 in federal funds. There is an additional across-the-board reduction to abolish positions statewide, but the amounts have not been allocated by agency.

Issues

1. More Fee Reductions on the Way

The Administration implemented fee reductions on September 15, 2015. In addition, the Administration has introduced SB 389 and HB 459 (Fee, Surcharge, and Tax Reduction Act of 2016) in the 2016 session that would modify the allocation of the Strategic Energy Investment Fund (SEIF) and reduce the Wetlands and Waterways Program fee for minor projects or general permits (those impacting less than 5,000 square feet), from \$750 to \$500.

Exhibit 8 reflects the impact of the September 15, 2015, fee reductions. MDE notes that the September 15, 2015, reductions will have a nominal impact on agency operations, which is consistent with the projected fiscal 2016 ending balances for the two funds that receive funding from the fees that have been reduced.

Exhibit 8 Fee Reductions September 15, 2015

<u>Unit</u>	<u>Fees</u>	<u>DLS Estimated Amount of Revenue Reduction</u>	<u>Comment</u>
Air and Radiation Management Administration	Asbestos-related	\$20,250	The Maryland Clean Air Fund has a projected fiscal 2016 ending balance of \$625,674 and so this revenue reduction appears to be absorbable for the time being.
Land Management Administration	Oil-related	58,470	The fee assessed on oil transferred into the State recently was increased from \$0.03 to \$0.08 per barrel by Chapter 325 of 2014 (Maryland Oil Disaster Containment, Clean-Up and Contingency Fund and Oil Contaminated Site Environmental Cleanup Fund) and the Maryland Oil Disaster Containment, Clean-Up and Contingency Fund has a projected fiscal 2016 ending balance of \$563,774 and so this reduction appears to be absorbable for the time being.
	Total	\$78,720	

DLS: Department of Legislative Services

Source: Department of Legislative Services

As introduced, SB 389 and HB 459 would eliminate the surcharge on electricity distributed to retail electric customers in Maryland that currently is placed in the Environmental Trust Fund for the purposes of the DNR Power Plant Research Program. Instead, the Power Plant Research Program would be funded by a flat \$10 million taken off the top of the Regional Greenhouse Gas Initiative (RGGI) carbon dioxide allowance revenues that are placed in the SEIF. As a result, there would be a reduction in the available revenue for renewable energy and climate change programs in MDE.

In addition, the legislation would reduce the Wetlands and Waterways Program fee for minor projects or general permits (those impacting less than 5,000 square feet), from \$750 to \$500. This fee was increased by Chapter 142 of 2008 (Environment – Water Management Administration – Wetlands and Waterways Program Fees) in order to be able to fund the work of the Wetlands and Waterways Program. Subsequently, the *MDE Report of the Wetlands and Waterways Program Funding Work Group* from 2012, which was required by Chapter 142, noted that the legislation led to the following accomplishments:

- increased staffing levels by 34 new positions;
- improved permit turnaround time so that the Wetlands and Waterways Program met its published turnaround times over 90% of the time;
- eliminated the permit application backlog; and
- provided enhanced services to the regulated and environmental communities.

In addition, the report noted that the amount of the fees was not adequate to support an effective program and placed financial burden on residential property owners. Finally, the report noted the need to convene a workgroup in 2015 to review and assess the performance of the Wetlands and Waterways Program and the adequacy of any amended application fees to support an effective program. **DLS recommends that MDE comment on the impact on revenues and agency operations of the proposed reduction in the fee for minor projects or general permits from, \$750 to \$500, and whether MDE has any plans to convene a workgroup to review and assess the performance of the Wetlands and Waterways Program and the adequacy of any amended application fees to support an effective program.**

2. Sediment and Erosion Control Inspection Positions Reclassified

The MDE January 2015 audit completed by the Office of Legislatives Audits contained two repeat findings, one of which was that there are insufficient resources to inspect every active construction site for compliance with erosion and sediment control plans an average of once every two weeks in accordance with State regulations. As a result, the General Assembly requested a report on how MDE will meet the inspection requirement, which was requested to be submitted by September 1, 2015, and added budget bill language restricting funding unless 6 positions are reclassified by January 1, 2016, for statewide inspection, enforcement, compliance, compliance

assistance, and permit issuance related to erosion and sediment control in the Water Management Administration – Compliance subprogram. A letter confirming the reclassification of the positions was required by January 15, 2016. The letter and report were received on February 9, 2016.

Sediment and Erosion Control Inspection Report

The committees were concerned that MDE has been unable to conduct the required inspections and thus requested the submission of a report on how MDE will meet this requirement to be coordinated with the construction industry, environmental advocacy stakeholders, and DBM. **Exhibit 9** shows the report findings. MDE notes that the universe of sites and inspections requested in the report were provided based on an annual average of fiscal 2013 and 2014 for MDE, and annual average of calendar 2013 and 2014 for the delegated counties/municipalities as reported to MDE. MDE also notes that Environmental Article section 4-103 authorizes MDE to delegate inspection and enforcement authority for erosion and sediment control to “any county or municipality which is found capable of enforcing compliance” with the provisions of State erosion and sediment control law. Under this authority, erosion and sediment control inspection and enforcement has been delegated or partially delegated to 13 counties, 9 municipalities, and the Washington Suburban Sanitary Commission.

Exhibit 9 **Sediment and Erosion Control Report Findings** **January 2016**

<u>Request</u>	<u>Response</u>	<u>Comment</u>
Universe of inspection sites	17,411	
Number of sites that MDE inspects	11,598	MDE notes that this number is probably overstated because the database cannot capture reissuance/expiration dates and thus some of the 11,598 sites may no longer be open and actively under construction. MDE is pursuing an updated database.
Number of sites that each delegated authority inspects	5,813	Delegated authorities include counties, the State Highway Administration, the Maryland Transit Administration, and Soil Conservation Districts.
Number of remaining sites that are not inspected	10,273	MDE notes that the number of sites not inspected by the delegated counties and municipalities cannot be quantified based on the information reported to MDE, but that records identify an average of 10,273 sites not inspected.

<u>Request</u>	<u>Response</u>	<u>Comment</u>
Strategies for reducing the remaining sites not inspected to zero; including, but not limited to, lowering the standard in regulation, delegating additional authority for inspections to other entities, fostering greater coordination with local governments, increasing inspection positions, and evaluating the usefulness of surveillance technology, such as unmanned aerial vehicles	As noted below, MDE is pursuing several of these options. Surveillance technology, such as unmanned vehicles, was not discussed in the report.	The number of inspectors in fiscal 2014 was 31.1, which would result in 372.9 erosion and control inspections per inspector per year on average.
Action plan implementing the strategies for reducing the remaining sites not inspected to zero; including funding, positions, programmatic changes, performance measures, and a timeline for implementation to which the fiscal 2016 working appropriation and fiscal 2017 allowance may be compared	MDE intended to reclassify the 6 positions required by budget bill language; increase delegation of authority for inspections to counties; and seek an amendment to the inspection regulatory language.	MDE noted that it will send solicitation letters in fall 2015 to all counties in Maryland and will attempt to fast track delegation to the extent possible. MDE also noted that the regulation meeting would be held in early 2016 before submission to the Joint Subcommittee on Administrative, Executive, and Legislative Review.

MDE: Department of the Environment

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

Reclassification Letter

The letter on the reclassification of positions reflects the changes shown in **Exhibit 10**. MDE notes that these positions will be trained to develop and negotiate implementation plans for improvements or corrective actions needed at municipal and industrial, agricultural, resource management, or construction sites; and to assess damage caused by regulatory violations. Furthermore, the positions will learn compliance assistance and pollution prevention strategies; and will learn to perform onsite compliance consultations at municipal and industrial facilities, construction sites, and agricultural operations regarding water pollution control laws and State and federal permits. **DLS recommends that MDE comment on the timeframe for updating its database to capture reissuance/expiration dates, the response to and current status of expanded delegation to counties, and the status of the meeting to amend the regulatory language mandating that all sites be inspected on average once every two weeks.**

Exhibit 10
Sediment and Erosion Control Reclassified Positions
January 2016

<u>PIN</u>	<u>Area</u>	<u>Former Title</u>	<u>Former Unit</u>	<u>Fiscal 2017 Allowance</u>
048676	Western	Office Secretary III	Water Management Administration – Compliance	\$35,999
055549	Eastern	Regulatory Compliance Engineer-Architect III	Water Management Administration – Wastewater Permits	62,840
055556	Central	Natural Resources Planner V	Science Services Administration – Field Services	62,840
055561	Eastern	Environmental Specialist IV	Science Services Administration – Field Services	58,949
078554	Central	Environmental Compliance Specialist IV	Land Management Administration – Recycling and Operations	52,001
087546	Western	Regulatory Compliance Engineer-Architect I	Water Management Administration – Sediment, Stormwater, and Dam Safety Program	48,859

PIN: position identification number

Source: Department of Budget and Management, Maryland Department of the Environment

3. Maryland Energy Administration Co-locating with MDE

The Maryland Energy Administration (MEA) website notifies that it co-located with MDE on December 16, 2015. The co-location raises a number of concerns related to the process, timing, cost and savings, and the reason for the move.

The following information was requested of MDE about the move.

- **Description:** A description of the type of costs incurred in the move, the reconfiguration of MDE space, and when the costs were or will be incurred and by whom.
- **Amount:** The amount and fund source associated with each cost.
- **Cost Savings:** The expected long-term cost savings associated with the move and explanations for how these cost savings will be achieved.

MDE notes that the move is still in progress. MEA has moved into temporary space on the fourth floor, within the Water Management Administration's area, and will stay there until the buildout is approved and completed, which involves the Department of General Services. The plan then is for MEA to move to the seventh floor, within the Air and Radiation Management Administration's area, later in fiscal 2016. The actual move cost is around \$8,000; MEA eventually will be paying a portion of the rent and utilities based on the final square footage of the space it uses. **DLS recommends that MDE comment on (1) the justification for the move; (2) the type of costs incurred in the move, the reconfiguration of MDE space, and when the costs were or will be incurred and by whom; (3) the amount and fund source associated with each cost; and (4) the expected long-term cost savings associated with the move and explanations for how these cost savings will be achieved.**

4. Lead Paint Issues Linger

Lead poisoning prevention has garnered a substantial amount of interest since the identification that Freddie Gray – who died in Baltimore City after being apprehended by police in April 2015 – had childhood lead poisoning. In addition, the Administration has expanded the universe of children tested for lead paint poisoning, which will potentially increase costs for inspections conducted by either MDE or inspectors hired by rental property owners. Most recently, MDE announced on January 28, 2016, that it has opened an investigation to determine whether rental properties certified by a private inspector are actually lead free.

Concerns about the lead paint program have been raised in the MDE January 2015 audit conducted by the Office of Legislative Audits. As shown in **Exhibit 11**, the MDE databases and policies do not ensure that all affected rental properties are registered and that all registered properties have required inspection certificates.

Exhibit 11
Recent Lead Paint Audit Findings
January 2015

<u>Audit Finding</u>	<u>Description</u>	<u>Recommendation</u>
(1) Procedures were not sufficient to ensure properties with lead paint that were constructed before 1950 were registered and fees paid. (Repeat audit finding)	Did not establish: (1) formal procedures to identify owners who failed to annually renew their property registrations and pay the required registration fees so that follow-up actions could be taken; (2) a consistent, comprehensive follow-up process for owners who were identified and failed to renew property registrations; and (3) a policy specifying when to refer owners to the enforcement unit and when to assess civil and administrative penalties.	(1) Formalize procedures to identify and pursue property owners who fail to register affected lead properties and pay the annual registration fee, including effectively using the pending payment reports; (2) investigate property owners to determine if any fees are owed; (3) establish a policy to determine when to make referrals to enforcement and to assess penalties; and (4) establish a process to track cases referred to enforcement.
(2) MDE did not have a process to ensure that owners who have registered properties affected by lead paint had a required inspection certificate.		(1) Establish procedures to ensure that owners with affected properties have an inspection certificate when required; and (2) investigate the property owners without any recorded inspection certificates and take appropriate action.

Source: Office of Legislative Audits

MDE notes that part of the problem stems from the fact that the original database was based on property owners instead of on property location. As a result, it is difficult to determine whether affected rental properties are still eligible for inclusion in the MDE tracking database. To remedy this situation, MDE is working with MES on the upgrade of two of its databases using Lead Poisoning Prevention Fund special funds and possibly DoIT Major Information Technology Development Project Fund money. The two databases are as follows:

- ***Online Lead Rental Registry Enhancements Project (\$0.5 Million):*** MDE intends to enhance the existing Online Lead Rental Registration system for tracking registration and fee payments for lead rental properties through an interagency agreement with MES.

- ***Lead Rental Certification and Accreditation Information System (\$1.0 Million):*** MDE intends to develop a new system for tracking certification and accreditation of lead rental properties. The new system will be integrated with the existing Online Lead Rental Registry system and will allow for accepting fee payments online. MDE worked with MES on the business requirements of the project, which were completed.

Universal Testing Regulations

The Administration published regulations in the Maryland Register on January 8, 2016, effectuating the plan announced on October 26, 2015, to expand the definition of childhood blood lead at-risk areas to include the entire State in order to provide for universal testing of children at ages one and two. These regulations align with the U.S. Centers for Disease Control guidelines urging greater scrutiny of lower blood levels and appear to have fairly substantial cost implications for either MDE or local health departments as shown in **Exhibit 12**. The universal testing reflects costs of \$1,106,820 based on an estimated 1,548 children requiring inspections at \$715 per inspection. There is also an estimated case coordination cost of \$56 for one year, which adds another \$86,115 to the cost for a total cost of \$1,192,935. Funding to cover these costs, if they are borne by MDE, is not reflected in the MDE fiscal 2017 allowance.

Exhibit 12
Possible MDE Costs

Maryland Targeting Plan for Areas At Risk for Childhood Lead Poisoning
October 26, 2015

<u>Targeting Strategy Option</u>	<u>Estimated Number of 1- and 2-year-Old Children to Be Tested</u>	<u>Estimated Number of Children with EBL Greater Than or Equal to 10 mcg/dL⁽³⁾</u>	<u>MDE Inspection Cost (\$715 One-time x Number of Children)</u>	<u>MDE Case Coordination (\$56 One Year)</u>	<u>MDE Total Cost</u>
Option 1 – Target Testing based on the distribution of 2005-2009 test results, by zip code ⁽¹⁾	91,201	1,100	\$786,500	\$61,193	\$847,693
Option 2 – Target testing based on an updated Maryland Targeting Model ⁽²⁾	108,245	1,148	820,820	63,863	884,683
Option 3 – Universal Testing	146,037	1,548	1,106,820	86,115	1,192,935

EBL: elevated blood lead

MDE: Maryland Department of the Environment

¹ This estimate was prepared considering the area containing 75% of children expected to be “at risk,” representing the “middle” estimate.

² This estimate was prepared based on model 3, with the modeled outcome of interest “risk area” defined as a census tract with greater than or equal to 9% of tests at or above the reference level.

³ Represents venous test results and confirmed capillary results. Ninety percent of capillary results are assumed to be true positives in these analyses.

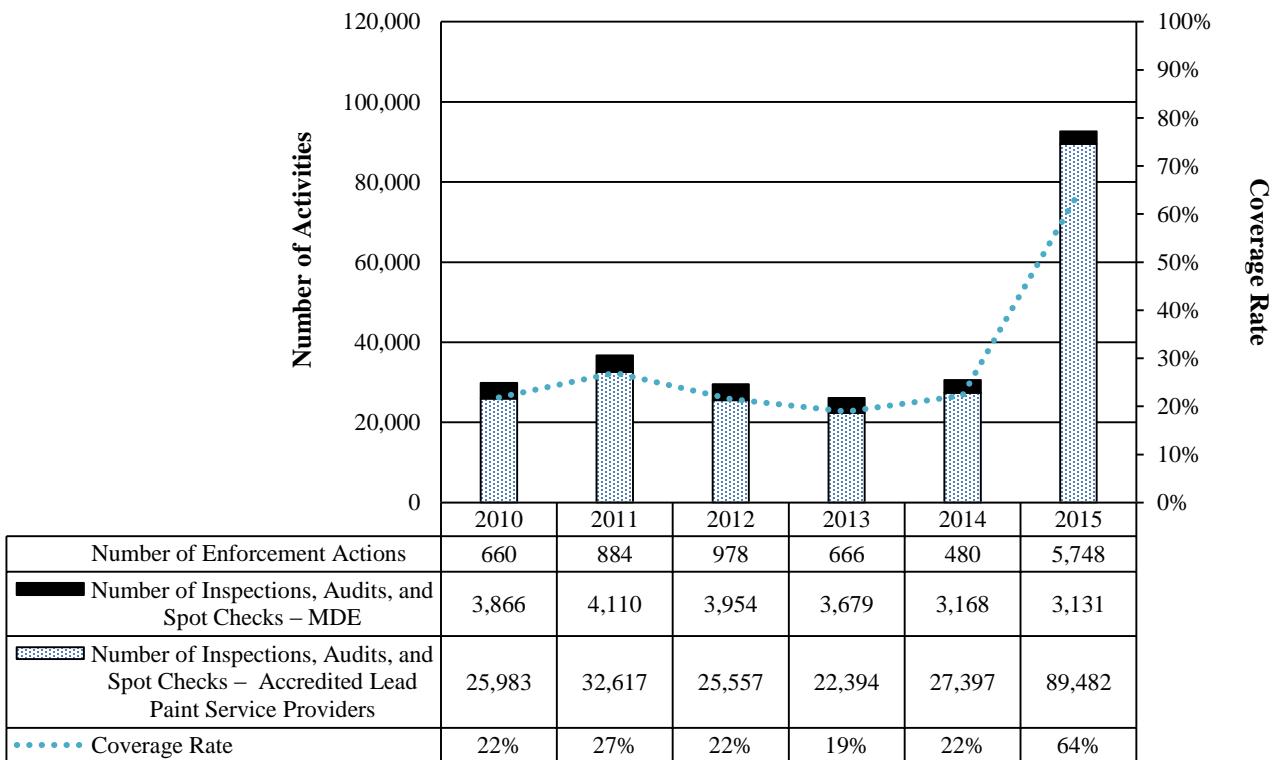
Source: Department of Health and Mental Hygiene, *Maryland Targeting Plan for Areas At Risk for Childhood Lead Poisoning*, October 2015

Rental Property Certification Concerns

On January 28, 2016, MDE announced that it has opened a joint investigation with the U.S. Environmental Protection Agency and Department of Health and Mental Hygiene to determine whether a private inspector fraudulently certified rental properties as being lead free. MDE is sending letters to residents of 384 properties that were certified lead free by the inspector between calendar 2010 and 2014 in order to encourage testing of children for lead exposure and encourage retesting of the properties for lead paint. The investigation was spurred by the receipt of a complaint concerning the validity of a lead-free certificate issued by the private inspector, which led to the invalidation of seven lead-free certificates issued by the private inspector. **Exhibit 13** shows that MDE relies heavily

on accredited lead paint services providers doing inspections. Between fiscal 2010 and 2014, on average MDE conducted 3,755 inspections, audits, and spot checks per year, or 12% of the total, while accredited lead paint services providers conducted 26,790 inspections, audits, and spot checks, or 88% of the total. In fiscal 2015, the accredited lead paint services providers conducted 89,482 inspections, audits, and spot checks, or 97% of the total; however, this may be due to the increased number of properties required to be inspected as a result of Chapter 387 of 2012 (Environment – Reducing the Incidence of Lead Poisoning), which expanded the definition of an affected rental property to include properties built between 1950 and 1978.

Exhibit 13
Lead Poisoning Prevention Program Measures
Fiscal 2010-2015



MDE: Maryland Department of the Environment

Source: Maryland Department of the Environment, Annual Enforcement and Compliance Reports, Fiscal 2010-2015

DLS recommends that MDE comment on the status of resolving the January 2015 lead paint audit findings and of working with DoIT on the upgrade of the lead rental property registration and certification databases; the costs associated with the universal lead testing

program for children ages one to two years old; and whether a State contract for inspections, audits, and spots checks of lead rental properties is necessary given the potential for fraud reported on January 28, 2016.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

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

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2015					
Legislative Appropriation	\$35,484	\$65,178	\$34,396	\$4,307	\$139,364
Deficiency Appropriation	-300	300	0	0	0
Cost Containment	-2,954	0	0	0	-2,954
Budget Amendments	5	4,692	824	908	6,430
Reversions and Cancellations	-23	-8,810	-1,508	-1,274	-11,615
Actual Expenditures	\$32,212	\$61,360	\$33,712	\$3,942	\$131,225
Fiscal 2016					
Legislative Appropriation	\$31,575	\$76,829	\$33,835	\$4,164	\$146,403
Budget Amendments	770	534	362	1,206	2,872
Working Appropriation	\$32,345	\$77,363	\$34,197	\$5,370	\$149,275

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

The MDE general fund appropriation decreased by \$3,271,434. The changes are as follows.

- **Deficiency Appropriation:** A decrease of \$300,000 in the Air and Radiation Management Administration, which has a corresponding special fund appropriation to backfill the reduction.
- **Cost Containment:** A decrease of \$2,954,041 due to July 2, 2014 BPW actions that reduced general funds as a result of the availability of Maryland Oil Disaster Containment, Clean-Up, and Contingency Fund special funds in the Land Management Administration and reduced funding for equipment to support a new position related to shellfish water quality monitoring in the Science Services Administration (\$2,019,042); January 2015 BPW-specified reductions for operating expenses to be substituted with special funds available in the Oil Control Program, and funding for lease purchase payments for computer upgrades (\$261,000); and the January 2015 2% reduction for contractual services across the agency (\$673,999).
- **Budget Amendments:** A net increase of \$5,485 due to the allocation of the cost-of-living adjustment (COLA), effective January 1, 2015 (\$235,485), which was offset partially by a decrease to reflect the State Employee Voluntary Separation Program as authorized by Section 22 of the fiscal 2016 operating budget bill (\$210,000), and a realignment of funding for the Hazardous Substance Clean-Up Program, which is reflected in the MDE PAYGO capital budget and thus is a reduction in the operating budget (\$20,000).
- **Reversions:** A decrease of \$22,878 primarily due to a reduction of \$22,876 in the Operational Services Administration.

The MDE special fund appropriation decreased by \$3,818,110. The changes are as follows.

- **Deficiency Appropriation:** An increase of \$300,000 to backfill the Air and Radiation Administration \$300,000 general fund reduction. The special funds come from the SEIF, which in turn receives revenues from the sale of carbon dioxide allowances as part of Maryland's involvement in the nine-state RGGI.
- **Budget Amendments:** An increase of \$4,692,367 due to budget amendments for replacement of July 2, 2014 BPW general fund reductions in the Oil Control Program (\$2,000,000); reimbursement of agreements with local environmental health departments to administer the septic program per Chapter 379 of 2014 (Bay Restoration Fund – Authorized Uses – Local Entities) (\$1,500,000); reimbursement of oil contamination costs for heating oil tank owners in the Oil Control Program (\$825,000); allocating the COLA, effective January 1, 2014 (\$267,367); and unanticipated exterminator costs (\$100,000).
- **Cancellations:** A decrease of \$8,810,477 as a result of cancellations primarily in the Land Management Administration (\$3,303,625); the Coordinating Offices (\$2,459,296); Bay Restoration Fund Debt Service, due to an unneeded appropriation based on the current revenue

bond issuance schedule (\$1,451,823); the Water Management Administration (\$972,472); and the Air and Radiation Management Administration (\$500,884).

The MDE federal fund appropriation decreased by \$684,384. The changes are as follows.

- **Budget Amendments:** An increase of \$823,591 due to budget amendments establishing web services and thus allowing programs such as Geographic Information System (ArcGIS) Desktop and ArcGIS Online to access Ambient Water Quality Monitoring System data directly using Environmental Information Exchange Network Grant Program funding (\$442,000); funding equipment, supplies, and related services to establish near-road monitoring sites to measure short-term, near-road nitrogen dioxide (NO_2) concentrations near heavily trafficked roads to assess the impact on vulnerable and susceptible populations using surveys, studies, research, investigations, demonstrations, and special purpose activities relating to the Clean Air Act funding (\$200,000); and allocating the COLA, effective January 1, 2015 (\$181,591).
- **Cancellations:** A decrease of \$1,507,975 as a result of cancellations primarily in the Science Services Administration (\$553,398), Coordinating Offices (\$536,682), Land Management Administration (\$179,853), and Air and Radiation Management Administration (\$114,772).

The MDE reimbursable fund appropriation decreased by \$365,352. The changes are as follows.

- **Budget Amendments:** An increase of \$908,278 is reflected due to funding transferred from the DoIT MITDF from new and unencumbered prior year funding for the Environmental Permit Tracking System Modernization Project, which will update how permit data is captured through the use of Dot Net technologies.
- **Cancellations:** A decrease of \$1,273,630 primarily due to cancellations in Major Information Technology Development Projects (\$456,028), Water Management Administration (\$390,044), and Air and Radiation Management Administration (\$272,118).

Fiscal 2016

The MDE general fund appropriation increases by \$770,000 due to budget amendments. The budget amendments allocate the funding in Section 48 of the fiscal 2016 budget bill that restored the 2% State salary reduction (\$470,000), and reallocate a portion of the 2% cost containment reductions in Section 19 of the fiscal 2016 from the operating budget to the Hazardous Substance Clean-Up Program PAYGO capital program and thus is reflected as an appropriation increase in the budget amendment (\$300,000).

The MDE special fund appropriation increases by \$534,000 to allocate the funding in Section 48 of the fiscal 2016 budget bill that restored the 2% State salary reduction.

U00A – Department of the Environment

The MDE federal fund appropriation increases by \$362,000 to allocate the funding in Section 48 of the fiscal 2016 budget bill that restored the 2% State salary reduction.

The MDE reimbursable fund appropriation increases by \$1,206,028 due to a budget amendment. The budget amendment provides funding transferred from the DoIT MITDPF for the Environmental Permit Tracking System Modernization Project to reflect fiscal 2014 and 2015 funding (\$456,028), as well as fiscal 2016 funding (\$750,000) for updating the existing PowerBuilder user interface with one developed using current Dot Net technologies.

Audit Findings

Audit Period for Last Audit:	July 1, 2010 – July 29, 2013
Issue Date:	January 2015
Number of Findings:	6
Number of Repeat Findings:	2
% of Repeat Findings:	33.3%
Rating: (if applicable)	n/a

Finding 1: **Procedures were not sufficient to ensure properties with lead paint that were constructed before 1950 were registered and fees paid.**

Finding 2: MDE did not have a process to ensure that owners who have registered properties affected by lead paint had a required inspection certificate.

Finding 3: Local jurisdictions were not required to submit critical documentation concerning Bay Restoration Fund-funded septic system installations and certain monitoring processes were insufficient.

Finding 4: MDE had not performed documented verifications to ensure that all annual operations and maintenance reports for Bay Restoration Fund-funded septic system installations were submitted.

Finding 5: **Inspections of construction activity that disturbs more than 5,000 square feet of land or that results in more than 100 cubic yards of earth movement were not being performed as required.**

Finding 6: Monitoring, access, and update controls over the Tools for Environmental Management and Protection of Organizations and Public and Private Drinking Water Information System databases were not sufficient.

Note: The Office of Legislative Audits was unable to review the status of the following prior finding: “A process was not established to verify hazardous material facilities are in compliance with security standards.” This is because federal regulations developed by the U.S. Department of Homeland Security deny access to certain documentation critical to the finding. The Office of Legislative Audits notes that this documentation is considered to be chemical-terrorism vulnerability information, which requires special training and approval to be obtained through the Department of Homeland Security.

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

Major Information Technology Projects

**Maryland Department of the Environment
Environmental Permit Tracking System Modernization**

Project Status	Planning	New/Ongoing Project:	Ongoing					
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 the MDE centralized permit tracking system and ensure that the technologies that support the mission are cost effective and sustainable.							
Estimated Total Project Cost:	n/a	Estimated Planning Project Cost:	\$3,340,000					
Project Start Date:	The project began in February 2013 with the development of the task order request for proposals.	Projected Completion Date:	Permit modernization go live on February 18, 2017.					
Schedule Status:	MDE is working on the Functional Requirements Document and the Task Order for Proposals for the implementation phase of the project. Overall, it looks like the project schedule has slipped about a year, given that in the fiscal 2016 budget analysis the permit modernization go-live date was February 18, 2016, and now the permit modernization go-live date is February 18, 2017. There is no mention of a new eCommerce go-live date.							
Cost Status:	MDE has received appropriations of \$500,000 in fiscal 2014, \$450,000 in fiscal 2015, and \$750,000 in fiscal 2016. In each of these years, an additional \$50,000 was reflected in the Department of Information Technology's (DoIT) budget for project oversight. MDE has only spent \$493,972, so \$1,206,028 in reimbursable funds is reflected in fiscal 2016 (\$456,028 from fiscal 2014 and 2015 funding and \$750,000 from fiscal 2016 funding). For fiscal 2017, there is \$1,440,000 budgeted in the DoIT budget for MDE and an additional \$50,000 for project oversight by DoIT.							
Scope Status:	The scope is a plan at this stage.							
Project Management Oversight Status:	DoIT 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 2017	FY 2018	FY 2019	FY 2020	FY 2021	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	1.8	1.5	0.0	0.0	0.0	0.0	0.0	3.3
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$1.8	\$1.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$3.3

Object/Fund Difference Report
Department of the Environment

<u>Object/Fund</u>	FY 16		FY 17	FY 16 - FY 17 Amount Change	Percent Change
	FY 15 Actual	Working Appropriation			
Positions					
01 Regular	936.00	939.00	934.00	-5.00	-0.5%
02 Contractual	28.15	59.50	40.50	-19.00	-31.9%
Total Positions	964.15	998.50	974.50	-24.00	-2.4%
Objects					
01 Salaries and Wages	\$ 84,908,504	\$ 87,540,995	\$ 88,979,968	\$ 1,438,973	1.6%
02 Technical and Spec. Fees	1,460,488	2,082,589	1,867,270	-215,319	-10.3%
03 Communication	675,347	728,627	722,731	-5,896	-0.8%
04 Travel	210,615	70,060	56,101	-13,959	-19.9%
06 Fuel and Utilities	468,649	573,966	482,346	-91,620	-16.0%
07 Motor Vehicles	1,475,155	1,541,218	1,310,664	-230,554	-15.0%
08 Contractual Services	14,376,489	22,462,090	20,948,867	-1,513,223	-6.7%
09 Supplies and Materials	1,075,929	1,133,678	1,116,037	-17,641	-1.6%
10 Equipment – Replacement	964,190	1,507,273	1,048,066	-459,207	-30.5%
11 Equipment – Additional	391,808	84,937	158,270	73,333	86.3%
12 Grants, Subsidies, and Contributions	12,219,721	12,139,963	10,989,926	-1,150,037	-9.5%
13 Fixed Charges	4,749,979	4,909,566	4,918,176	8,610	0.2%
14 Land and Structures	8,248,177	14,500,000	26,000,000	11,500,000	79.3%
Total Objects	\$ 131,225,051	\$ 149,274,962	\$ 158,598,422	\$ 9,323,460	6.2%
Funds					
01 General Fund	\$ 32,212,121	\$ 32,344,831	\$ 32,183,920	-\$ 160,911	-0.5%
03 Special Fund	61,359,708	77,363,394	88,845,284	11,481,890	14.8%
05 Federal Fund	33,711,527	34,197,064	33,522,830	-674,234	-2.0%
09 Reimbursable Fund	3,941,695	5,369,673	4,046,388	-1,323,285	-24.6%
Total Funds	\$ 131,225,051	\$ 149,274,962	\$ 158,598,422	\$ 9,323,460	6.2%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

Fiscal Summary
Department of the Environment

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
01 Office Of The Secretary	\$ 2,470,521	\$ 2,421,758	\$ 2,292,534	-\$ 129,224	-5.3%
02 Operational Services Administration	9,325,091	9,047,625	8,927,453	-120,172	-1.3%
04 Water Management Administration	31,424,895	30,840,286	31,070,235	229,949	0.7%
05 Science Services Administration	12,551,854	13,016,327	12,857,145	-159,182	-1.2%
06 Land Management Administration	28,010,777	34,558,351	34,009,233	-549,118	-1.6%
07 Air and Radiation Management Administration	19,405,003	20,114,336	20,265,039	150,703	0.7%
10 Coordinating Offices	28,036,910	39,276,279	49,176,783	9,900,504	25.2%
Total Expenditures	\$ 131,225,051	\$ 149,274,962	\$ 158,598,422	\$ 9,323,460	6.2%
General Fund	\$ 32,212,121	\$ 32,344,831	\$ 32,183,920	-\$ 160,911	-0.5%
Special Fund	61,359,708	77,363,394	88,845,284	11,481,890	14.8%
Federal Fund	33,711,527	34,197,064	33,522,830	-674,234	-2.0%
Total Appropriations	\$ 127,283,356	\$ 143,905,289	\$ 154,552,034	\$ 10,646,745	7.4%
Reimbursable Fund	\$ 3,941,695	\$ 5,369,673	\$ 4,046,388	-\$ 1,323,285	-24.6%
Total Funds	\$ 131,225,051	\$ 149,274,962	\$ 158,598,422	\$ 9,323,460	6.2%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.