

U00A0103
Department of the Environment – PAYGO

Pay-As-You-Go Capital Budget Summary

(\$ in Thousands)

	<i>FY 2006 Approp.</i>	<i>FY 2007 Approp.</i>	<i>FY 2008 Allowance</i>	<i>Percent Change</i>	<i>DLS Recommd.</i>
Water Quality Revolving Loan Fund	\$102,382	\$72,618	\$110,000	51.5%	\$110,000
Drinking Water Revolving Loan Fund	9,505	15,166	14,000	-7.7%	14,000
Hazardous Substance Clean-up	0	500	850	70.0%	850
Bay Restoration Fund – Wastewater	35,000	75,000	85,000	13.3%	85,000
Bay Restoration Fund – Septic Systems	0	11,000	6,000	-45.5%	6,000
Biological Nutrient Removal Program	0	2,212	0	-100.0%	0
Total	\$146,887	\$176,496	\$215,850	22.3%	\$215,850

Fund Source					
General	\$0	\$15,149	\$7,330	-51.6%	\$7,330
Special	98,633	126,853	79,526	-37.3%	79,526
Federal	43,254	34,494	28,994	-15.9%	28,994
PAYGO Subtotal	\$141,887	\$176,496	\$115,850	-34.4%	\$115,850
GO Bonds	5,000	0	0	0.0%	0
Revenue Bonds	0	0	100,000	n/a	100,000
Total	\$146,887	\$176,496	\$215,850	22.3%	\$215,850

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

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Summary of Issues

Bay Restoration Fund Implementation May Face Insufficient Funding: Recent increases in estimated wastewater treatment plant (WWTP) project construction costs (due to energy and material costs) raise the concern that sufficient revenue may not be available to provide 100% grant funding for upgrade projects that begin construction in 2012 and beyond. **The Department of Legislative Services (DLS) recommends that the Maryland Department of the Environment (MDE) provide the committees with preliminary information about revenue, construction, and scheduling estimates and then follow this up by presenting updated information at the June 2007 Capital Debt Affordability Committee meeting.**

Septic System Program Up but Not Quite Running Yet: Fiscal 2007 funding of \$11.0 million and a Request for Proposals process means the septic system program is up. A \$500,000 appropriation in the fiscal 2007 PAYGO budget was augmented by a \$10.5 million budget amendment in fall 2006 and nine counties replied to the Request for Proposals. However, the final requirement for initiating the program was only met at the December 2006 Board of Public Works meeting. Therefore, no projects were completed in either fiscal 2006 or 2007. **DLS recommends that MDE describe how it plans to handle the uncertainties of accurate information gathering, administrative responsibilities, and overall structure of the septic system upgrade program.**

Summary of Recommended Actions

1. Concur with Governor's allowance.
2. Adopt committee narrative requiring a report on the implementation of the Bay Restoration program.

Overview

The Maryland Department of the Environment's (MDE) fiscal 2008 PAYGO allowance includes \$7.3 million in general funds, \$79.5 million in special funds, \$29.0 million in federal funds, and \$100.0 million in revenue bonds. This represents a \$39.4 million, or 22.3% increase from fiscal 2007. This significant funding increase is largely due to \$100.0 million in revenue bonds for the Bay Restoration Fund (BRF) – Wastewater program and Water Quality Revolving Loan Fund. This new fee revenue supports enhanced nutrient removal upgrades for the State's 66 largest wastewater treatment plants and the overall demand (approximately \$500.0 million) for upgrading wastewater treatment plants, sewer infrastructure, and septic systems to improve water quality.

Other changes include \$6.0 million for the Bay Restoration Fund – Septic Systems program and increased funding for the Drinking Water Revolving Loan Fund and Hazardous Substance Clean-up program. A \$10.5 million budget amendment was brought in during fiscal 2007 to fund the first round of septic system projects from nine counties, and funding is projected to remain at \$6.0 million a year in order to upgrade approximately 500 septic systems a year. The Drinking Water Revolving Loan Fund and Water Quality Revolving Loan Fund both continue to include general funds as a match to the federal fund appropriation. Finally, the Hazardous Substance Clean-up program has created a plan for spending down unencumbered funds, which helps justify the \$250,000 increased funding level from fiscal 2007.

Exhibit 1 illustrates the administrative expenses associated with the two loan funds and BRF-supported programs discussed in this analysis. MDE includes salaries and fringe benefits, as well as non-salary expenses, in its direct expenses. Non-salary expenses include contractual services such as a financial advisor, a bond counsel, and accountant/auditor, as well as office supplies and materials, travel, training, and professional memberships. Indirect expenses are charged at approximately 24.3% of salary and fringe benefits for federal funds and at approximately 16.5% of all special fund expenses. The State is required to provide a 20% match on federal funds under both revolving loan funds. No State match is required for direct federal administrative expenses under the Drinking Water Revolving Loan Fund.

**Exhibit 1
Consolidated Administrative Expenses – All Programs**

	FY 2006 Actual	FY 2007 Estimated	FY 2008 Estimated
Sources:			
Special Funds			
Water Quality Revolving Loan Fund (WQRLF)	\$3,131,312	\$3,268,978	\$3,432,426
Drinking Water Revolving Loan Fund (DWRLF)	228,171	222,300	222,300
Bay Restoration Fund (BRF) - Wastewater	108,428	700,000	800,000
Bay Restoration Fund (BRF) - Septic Systems	255,913	500,000	500,000
Subtotal – Special Funds	\$3,723,824	\$4,691,278	\$4,954,726
General Funds	0	0	0
Federal Funds			
Water Quality Revolving Loan Fund	0	0	0
Drinking Water Revolving Loan Fund	\$361,969	\$367,700	\$367,700
Subtotal – Federal Funds	\$361,969	\$367,700	\$367,700
Total Funds	\$4,085,793	\$5,058,978	\$5,322,426
Uses:			
Direct Expenses	\$3,489,923	\$4,303,900	\$4,529,100
Indirect Expenses	595,870	755,078	793,326
Total Direct and Indirect Expenses	\$4,085,793	\$5,058,978	\$5,322,426

Sources of operating revenues are as follows:

WQRLF: Loan fees of up to 5% of annual debt service and up to 4% of the federal grant.

DWRLF: Loan fees of up to 5% of annual debt service and up to 4% of the federal grant.

BRF (Wastewater): Up to 1.5% of the annual BRF fee revenue collected.

BRF (Septic): Up to 8% of the annual BRF fee revenue collected.

Overview Issues

1. BRF Implementation May Face Insufficient Funding

The Bay Restoration Fund (BRF) was created in 2004 primarily to provide grants for enhanced nutrient removal (ENR) pollution reduction upgrades at the State's 66 major wastewater treatment plants (WWTPs). The fund is administered by the Maryland Department of the Environment's (MDE) Water Quality Financing Administration and is financed by a bay restoration fee on users of wastewater facilities and owners of septic systems and sewage holding tanks (septic fund). The fees on WWTP users (and users receiving public drinking water) took effect January 1, 2005, and are being collected through water and sewer bills. The fees on septic system and sewage holding tank owners took effect October 1, 2005, and are to be collected by the counties. Most counties sent BRF septic bills to citizens in 2005, while three counties initiated billings in July 2006.

To expedite the ENR upgrades at the 66 major WWTPs, MDE intends to issue bonds starting in fiscal 2008 backed by revenue generated under the program. The timing and amount of bonds issued will depend on the actual fee revenue attained, annual funding needs, and the bond maturities and interest rates. MDE estimates that the BRF program will issue a total of \$530.0 million in revenue bonds through fiscal 2012. These revenue bonds only support the initially anticipated cost of approximately \$765.0 million to upgrade the 66 major WWTPs. Recent increases in estimated WWTP project construction costs (due to energy and material costs) raise the concern that sufficient revenue may not be available to provide 100% grant funding for upgrade projects that begin construction in 2012 and beyond. If revenue bonds are still needed by fiscal 2015 and total ENR costs are \$931 million, then cash flow projections suggest a \$39.0 million deficit in fiscal 2012, which increases to a maximum of \$170.4 million in fiscal 2014 before declining.

The Bay Restoration Fund Advisory Committee is required to perform an analysis of the capital cost of ENR and make recommendations regarding the appropriate fee to be assessed in future years to meet the financing needs. The cash flow projection model will be updated again in June 2007. Then, in the January 1, 2008 annual report, a recommendation is likely from the advisory committee, which will allow for analysis of another year's worth of actual fee revenue and capital cost data. Because bay revenue bonds are just one part of State debt, any additional need has to be weighed against other needs. As a result, a clear plan for how the State plans to handle the bond needs is imperative. **The Department of Legislative Services (DLS) recommends that the Maryland Department of the Environment (MDE) provide the committees with preliminary information about revenue, construction, and scheduling estimates for the wastewater treatment plants to be upgraded. DLS also recommends committee narrative requiring a fund analysis report so that this information may be considered by the Capital Debt Affordability Committee when making decisions concerning the level of State debt.**

2. Septic System Program Up but Not Quite Running Yet

Fiscal 2007 funding of \$11.0 million and a Request for Proposals process indicates that implementation of the septic system program is underway. A \$500,000 appropriation in the fiscal 2007 budget was supplemented with \$10.5 million through a budget amendment processed in October 2006. Nine counties replied to the department's Request for Proposals. However, the final requirement for initiating the program was only met at the December 2006 Board of Public Works meeting. Therefore, no projects were completed in either fiscal 2006 or 2007.

Program Structure

The septic system program has an initial structure that has been designed to be flexible in order to meet changing needs. Currently, the plan is to run the program on a two-year cycle based on an initial Request for Proposals solicited from county public health departments. Nine counties submitted proposals for funding totaling \$9.0 million that will be reimbursed upon completion of projects solicited from septic system owners (prioritized by location within the critical area). In addition, approximately \$2.0 million has been allocated to miscellaneous projects that are to be solicited by MDE itself. For instance, a restaurant owner within the critical area but in a county not associated with the original Request for Proposals has expressed interest to MDE. Therefore, the program is currently structured as a hybrid between a Request for Proposals program that provides grants and a direct delivery of services program.

Uncertainties

Several uncertainties underlie the current structure of the septic system program.

- **Information Gathering** – information gathering about the septic upgrades is occurring at the county level. Therefore, MDE relies on county public health departments for both the number of upgrades and the success of the upgrades. After MDE receives the information from the county public health departments, it must aggregate the data to make sense of trends.
- **Administrative Burden** – the administrative burden for both MDE and the counties has yet to be determined. If, for instance, the administrative burden is determined to be higher at the county level than at MDE, then MDE may assume more implementation responsibility.
- **Overall Program Structure** – the program itself is structured around an initial two-year reimbursable grant period which assumes a commitment to move projects by the counties. However, this arrangement may be undermined by significant interest from individual septic system owners not located in participating counties or by counties slow to move projects.

DLS recommends that MDE describe how it plans to handle the uncertainties of accurate information gathering, administrative responsibilities, and overall structure of the septic system upgrade program.

Water Quality Revolving Loan Fund (Statewide)

PAYGO GF	\$4,240,000	Recommendation:	Approve
PAYGO SF	\$34,580,000		
PAYGO FF	\$21,180,000		
REVENUE BONDS	\$50,000,000		

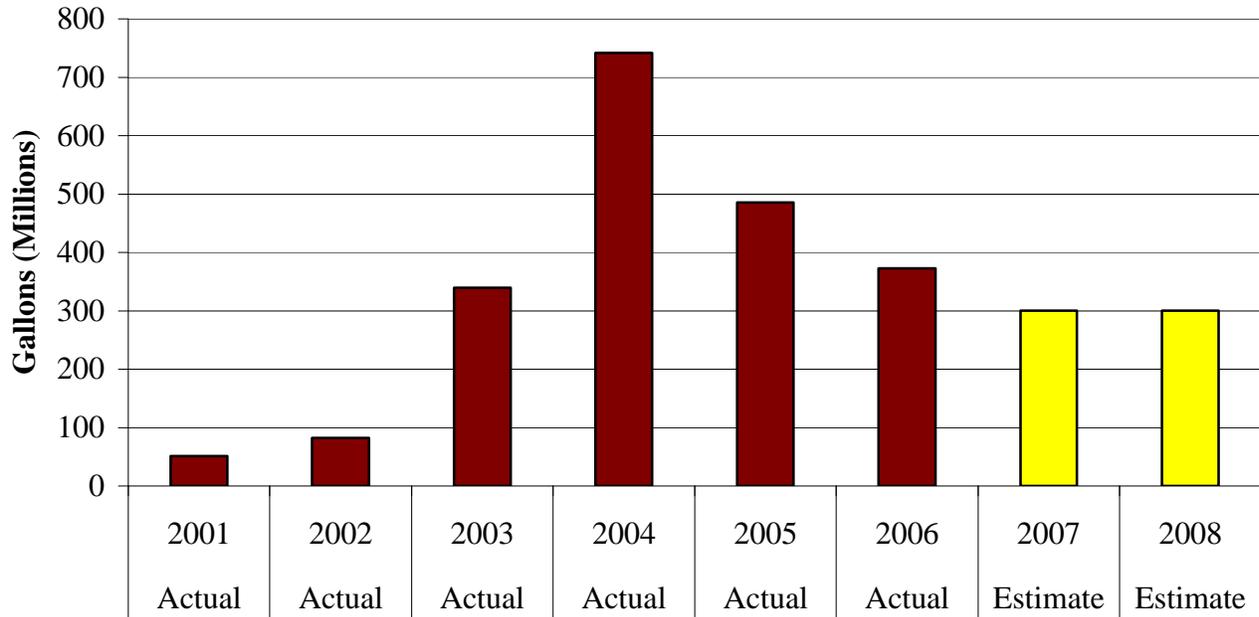
Program Description: The Water Quality Revolving Loan Fund (WQRLF) was created to provide low-interest loans to counties and municipalities to finance water quality improvement projects. The fund was established by the federal government in the Clean Water Act of 1987 and by the State of Maryland in Sections 9-204 and 9-1604 Environment Article to replace the federal construction grants program that was phased out. Projects eligible for funding include wastewater treatment plants, failing septic systems, and non-point source projects such as urban stormwater control projects. The federal act requires a 20% state match. As of June 30, 2006, WQRLF had executed approximately \$1.09 billion in low interest loans.

WQRLF projects are prioritized based on a U.S. Environmental Protection Agency-approved Integrated Project Priority System. In accordance with this system, projects meeting the minimum requirements are rated and ranked based on criteria including proposed project benefits and water quality improvement. The second priority ranking phase uses the requirements in Environment Article 9-345 and 9-348 and COMAR 26.03.08 that outline specific criteria for considering, among other things, the severity of water quality problems, readiness to proceed, cost effectiveness of nitrogen reduction, and expenditure rates. The resulting scores are used to prioritize projects.

Program Performance Analysis: As illustrated in **Exhibit 2**, sewer overflows peaked in fiscal 2004 and have since declined. Information previously reported on sewer overflows compared data for fiscal 2002 and beyond with fiscal 2001, a particularly dry year. Beginning in fiscal 2006, MDE used a three-year average (2003-2005) of 521.7 million gallons. Using this new base comparison, MDE estimates that the overflow gallons were reduced 29% in fiscal 2006.

Comments: WQRLF’s fiscal 2008 allowance totals \$110.0 million and is comprised of \$4.2 million in PAYGO general funds, \$34.6 million in PAYGO special funds, \$21.2 million in PAYGO federal funds, and \$50.0 million in revenue bonds. The \$4.2 million in general funds represents the required State match for the federal funds. The 2007 *Capital Improvement Program* assumes that general funds will be provided in future years to meet State matching requirements. If the federal funding level changes in the future, the general fund matching amount will require adjustment. A total of 15 projects would be funded during fiscal 2008 in the following jurisdictions: Allegany (1), Baltimore City (1), Baltimore County (2), Calvert (2), Cecil (1), Charles (2), Harford (1), Kent (1), Somerset (1), St. Mary’s (1), Washington (1), and Wicomico (1). These projects would involve upgrading wastewater treatment plants and implementing sewer system improvements.

**Exhibit 2
Sewage Overflow
Fiscal 2001-2008**



Source: Governor’s Budget Books, Fiscal 2005-2008

Because of high WQRLF demand and declining federal funding, \$50 million in revenue bonds is needed to recapitalize the WQRLF. Loan repayments on bond fund loans are required by indenture to be first sent to the WQFA trustee bank and allocated for debt service and other purposes. Therefore, no debt service appropriation is needed.

MDE states that \$50.0 million in revenue bonds is needed, despite a \$28.5 million WQRLF fund balance. This is because local governments will borrow more from the WQRLF to cover costs that are not eligible for enhanced nutrient removal grants as they move from biological nutrient removal technology in their wastewater treatment plants to enhanced nutrient removal technology.

Fiscal 2007 Deficiency

The Department of Legislative Services required that the Executive Branch submit budget amendments as a deficiency appropriation request in fiscal 2007. The Governor submitted a deficiency appropriation for the fiscal 2007 operating budget, which would increase MDE’s federal fund appropriation by \$2.6 million. The funding comes from unexpended funding earmarked for administrative costs in previous years. Additionally, in fiscal 2007, MDE transferred \$3.7 million from the Drinking Water Revolving Loan Fund to WQRLF in order to assist in meeting the approximately \$750.0 million demand for WQRLF assistance.

Water Quality Revolving Loan (Statewide) Fund Data**Fund History**

	<i>FY 2006 Actual</i>	<i>FY 2007 Estimated</i>	<i>FY 2008 Estimated</i>
Beginning Balance	\$45,007,167	-\$1,132,411	\$17,038,958
REVENUE			
General Funds	\$0	\$8,152,000	\$4,240,000
GO Bonds	5,000,000	0	0
Federal Funds	38,090,942	27,669,526	21,179,467
Revenue Bonds – WQFA	0	0	50,000,000
Investment and Other Income	6,656,420	11,500,000	11,500,000
Transfer from DWRLF	0	3,736,821	0
Loan Repayments and Interest	50,866,095	55,000,000	55,000,000
TOTAL REVENUE	\$100,613,457	\$106,058,347	\$141,919,467
TOTAL AVAILABLE	\$145,620,624	\$104,925,936	\$158,958,425
ENCUMBRANCES			
Loans	\$131,546,101	\$72,618,000	\$110,000,000
Revenue Bond Debt Service	12,093,622	12,000,000	12,000,000
Revenue Bond Debt Service Reserve/Issuance	0	0	5,000,000
Operating Expenses	3,113,312	3,268,978	3,432,426
TOTAL ENCUMBRANCES	\$146,753,035	\$87,886,978	\$130,432,426
Ending Balance	-\$1,132,411	\$17,038,958	\$28,525,999

WQFA: Water Quality Financing Administration

DWRLF: Drinking Water Revolving Loan Fund

*Loans made as of 12/31/06 = \$15.2 million

Note: The fiscal 2007 general fund of \$8,152,000 includes \$2,618,000 associated with loans executed in fiscal 2006. The total amount of fiscal 2006 loans closed is \$149,046,101 (\$131,546,101 will use fiscal 2006 appropriation; \$17.5 million will use appropriation from fiscal 2007).

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(\$ in Millions)

<i>Description</i>	<i>2006 Approp.</i>	<i>2007 Approp.</i>	<i>2008 Request</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>
PAYGO GF	\$0.000	\$8.152	\$4.240	\$3.400	\$3.400	\$3.400	\$3.400
PAYGO SF	60.814	37.903	34.580	55.000	25.000	50.000	25.000
PAYGO FF	36.568	26.563	21.180	17.000	17.000	17.000	17.000
GO Bonds	5.000	0.000	0.000	0.000	0.000	0.000	0.000
Revenue Bonds	0.000	0.000	50.000	0.000	50.000	0.000	50.000
Total	\$102.382	\$72.618	\$110.000	\$75.400	\$95.400	\$70.400	\$95.400

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2008 Proposed Projects

<u>County</u>	<u>Project Title</u>	<u>Fiscal 2008 Amount</u>	<u>Project Status</u>
Allegany	Grahamtown Sanitary Sewer	\$500,000	Construction
Baltimore City	Moores Run Interceptor SSO	25,443,000	Construction
Baltimore	Back River Gravity Sludge Thickeners	6,640,000	Construction
Baltimore	Nollmeyer-Seneca Park	2,583,000	Construction
Calvert	Chesapeake Beach Emergency Tank Calvert County	5,103,000	Under Planning/Construction
Calvert	Chesapeake Beach Outfall Replacement	780,000	Construction
Cecil	Elkton WWTP BNR/ENR	20,799,000	Construction
Charles	Benedict Central Sewer	3,129,000	Under Planning/Construction
Charles	Mt. Carmel Woods WWTP Upgrade for BNR	774,000	Construction
Harford	Havre De Grace ENR	24,545,000	Construction
Kent	Worton WWTP Upgrade	2,145,000	Construction
Somerset	Ewell WWTP Engineering Study	50,000	Planning
St. Mary's	Leonardtwn ENR	13,626,000	Construction
Washington	Boonsboro WWTP	1,297,000	Construction
Wicomico	Willards WWTP	2,586,000	Construction
	Total	\$110,000,000	

BNR: Biological Nutrient Removal

ENR: Enhanced Nutrient Removal

SSO: Sanitary Sewer Overflow

Note: The project list is subject to change.

Fiscal 2007 Project Status

<u>County</u>	<u>Project Title</u>	<u>Fiscal 2007 Amount</u>	<u>Project Status</u>
Baltimore City	Biddison Run Interceptor	\$3,900,000	Construction
Baltimore City	Jones Falls Pumping Station Force Main	15,000,000	Construction
Baltimore City	Jones Fall Pumping Station Upgrade	4,900,000	Construction
Baltimore City	Stoney Run Interceptor Phase I Upper Section	3,300,000	Construction
Baltimore	Jones Falls Pumping State Upgrade	6,717,000	Construction
Baltimore	Maiden Choice Interceptor	1,500,000	Construction
Cecil	Perryville WWTP	6,614,000	Design/Construction
Cecil	Port Deposit WWTP & Sewer Collection	4,547,000	Design/Construction
Montgomery	Wesmond Sewer Rehab	1,440,000	Construction
Talbot	St. Michaels Region II	2,000,000	Construction
Washington	Resh Road Landfill	5,200,000	Construction
Wicomico	Salisbury BNR & ENR	17,500,000	Construction
	Total	\$72,618,000	

Note: The project list is subject to change.

Drinking Water Revolving Loan Fund (Statewide)

PAYGO GF	\$2,240,000	Recommendation:	Approve
PAYGO SF	\$3,946,000		
PAYGO FF	\$7,814,000		

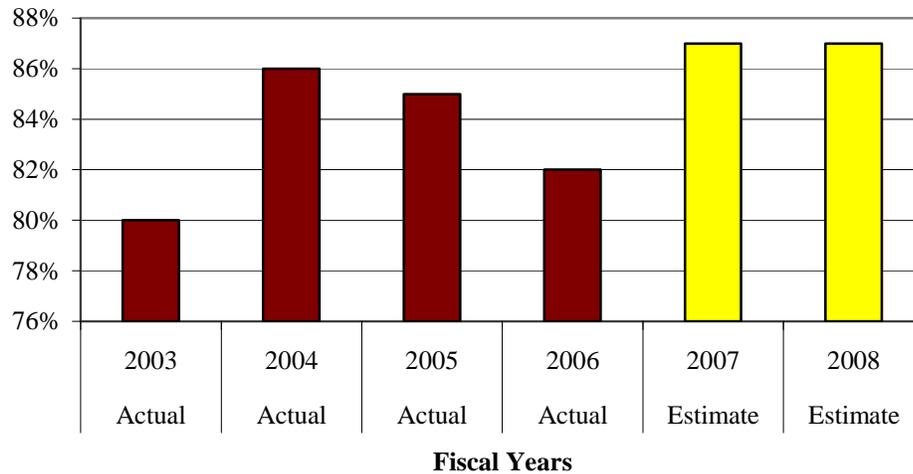
Program Description: The Drinking Water Revolving Loan Fund (DWRLF) was established in accordance with a federal capitalization grant approved by Congress in 1996 in anticipation of future federal capitalization grants. This program was authorized by the General Assembly in 1993 to provide loans to counties and municipalities to finance water supply improvements and upgrades. In accordance with the federal legislation, these funds may also be loaned to private parties. The federal act requires that a minimum of 20% of State matching funds for each year’s federal capitalization grant be deposited into the fund. As of June 30, 2006, DWRLF had executed approximately \$79.0 million in low interest loans.

Similar to the Water Quality Revolving Loan Fund, DWRLF projects are prioritized based on an U.S. Environmental Protection Agency-approved Drinking Water Project Priority System that focuses on many criteria, the most important being public health benefit.

Program Performance Analysis: As illustrated in **Exhibit 3**, the measure for the safety of Maryland’s water systems declined in fiscal 2006. A regulatory change to a more stringent standard appears to have had some impact on this performance measure. **The Maryland Department of the Environment should be prepared to discuss how water quality can be consistently measured despite distorting changes in regulations.**

Comments: The fiscal 2008 DWRLF allowance totals \$14.0 million and is comprised of \$2.2 million in PAYGO general funds, \$3.9 million in PAYGO special funds, and \$7.8 million in PAYGO federal funds. A total of 11 projects are scheduled to be funded during fiscal 2008, which would improve water services for approximately 19,490 households in 6 different jurisdictions: Allegany (2), Calvert (1), Carroll (3), Cecil (3), St. Mary’s (1), and Talbot (1). The general fund allowance is based on \$837.0 million in anticipated federal funds to capitalize water supply revolving loan funds throughout the United States. Maryland’s share of this national amount is estimated at \$11.3 million, requiring a \$2.2 million State match. Up to 31% of the \$11.3 million federal appropriation may be used for non-project set asides. Non-project set asides are budgeted in MDE’s operating budget, and estimates for its categories follow: 15% for Local Assistance/Other State Projects (\$1.7 million); 10% for Safe Drinking Water Program Support (\$1.1 million); 4% for DWRLF Administration (\$0.5); and 2% for Technical Assistance for Small Systems (\$0.2 million).

**Exhibit 3
Public Water Systems in Significant Compliance**



Source: Governor’s Budget Books, Fiscal 2005-2008

Fiscal 2007 Deficiency

The Department of Legislative Services required that the Executive Branch submit budget amendments as a deficiency appropriation request in fiscal 2007. The Governor submitted a deficiency appropriation for the fiscal 2007 operating budget which would increase MDE’s federal fund appropriation for DWRLF by \$536,000. The federal funds come from a higher than anticipated grant award.

Drinking Water Revolving Loan Fund Data (Statewide)**Fund History**

	<i>FY 2006 Actual</i>	<i>FY 2007 Estimated</i>	<i>FY 2008 Estimated</i>
Beginning Balance	\$16,343,360	\$26,547,999	\$16,445,518
REVENUE			
General Funds	\$0	\$4,285,000	\$2,240,000
GO Bonds	0	0	0
Federal Funds	6,638,835	8,266,301	7,813,353
Investment and Other Income	1,033,913	1,033,913	1,033,913
Loan Repayments and Interest	3,895,895	4,095,895	4,295,895
TOTAL REVENUE	\$11,568,643	\$17,681,109	\$15,383,161
TOTAL AVAILABLE	\$27,912,003	\$44,229,108	\$31,828,679
ENCUMBRANCES			
Loans	\$773,864	\$23,456,769	\$14,000,000
Operating Expenses	590,140	590,000	590,000
Transfers to WQRLF	0	3,736,821	0
TOTAL ENCUMBRANCES	\$1,364,004	\$27,783,590	\$14,590,000
Ending Balance	\$26,547,999	\$16,445,518	\$17,238,679

WQRLF: Water Quality Revolving Loan Fund

*Loans made as of 12/31/06 = \$3.5 million

Note: The fiscal 2007 general fund of \$4,285,000 includes \$1,995,000 of State match to federal funds for loans in fiscal 2006.

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(\$ in Millions)

<i>Description</i>	<i>2006 Approp.</i>	<i>2007 Approp.</i>	<i>2008 Request</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>
PAYGO GF	\$0.000	\$4.285	\$2.240	\$2.300	\$2.300	\$2.300	\$2.300
PAYGO SF	2.819	2.950	3.946	3.900	3.900	3.900	3.900
PAYGO FF	6.686	7.931	7.814	7.850	7.850	7.850	7.850
GO Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	\$9.505	\$15.166	\$14.000	\$14.050	\$14.050	\$14.050	\$14.050

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2008 Proposed Projects

<u>County</u>	<u>Project Title</u>	<u>Fiscal 2008 Amount</u>	<u>Project Status</u>
Allegany	Bowman's Addition	\$4,615,000	Construction
Allegany	Clarysville Water	200,000	Construction
Calvert	East Prince Frederick Tower and Well	1,000,000	Construction
Carroll	Taneytown/Baltimore Street Water Main	1,447,000	Construction
Carroll	Taneytown/Piney Creek Aquifer New Well	760,000	Construction
Carroll	Westminster/Medford Quarry	1,000,000	Construction
Cecil	Chesapeake City Water Storage Tank	750,000	Construction
Cecil	North East Water System	2,560,000	Construction
Cecil	Port Deposit Existing Water Treatment & Intake	583,000	Construction
St. Mary's	St. Clement's Shores Backup Well	150,000	Construction
Talbot	Oxford Arsenic Removal	935,000	Construction
	Total	\$14,000,000	

Note: The project list is subject to change.

Fiscal 2007 Project Status

<u>County</u>	<u>Project Name</u>	<u>Fiscal 2007 Amount</u>	<u>Project Status</u>
Allegany	Lonaconing Water Improvements Phase IV & Phase V	\$1,200,000	Construction
Baltimore City	Montebello Filters & Chemical System	2,200,000	Construction
Baltimore	Montebello Filters & Chemical System	1,545,984	Construction
Caroline	Federalsburg Elevate Water Storage Tank	370,920	Construction
Cecil	Perryville Water Filtration Plant	10,500,000	Construction
St. Mary's	Lexington Park Arsenic Removal	850,000	Construction
St. Mary's	Piney Point Water Line Replacement	188,000	Construction
Talbot	Martingham Arsenic Removal	380,000	Design/Construction
Talbot	St. Michaels' Arsenic Compliance & Well Construct.	1,700,000	Construction
Washington	Hagerstown West End Storage Tank Phase I	2,268,000	Construction
Wicomico	Fruitland Elevated Water Tank	2,253,865	Construction
	Total	\$23,456,769	

Note: The project list is subject to change.

Hazardous Substance Clean-up Program (Statewide)

PAYGO GF

\$850,000

Recommendation:

Approve

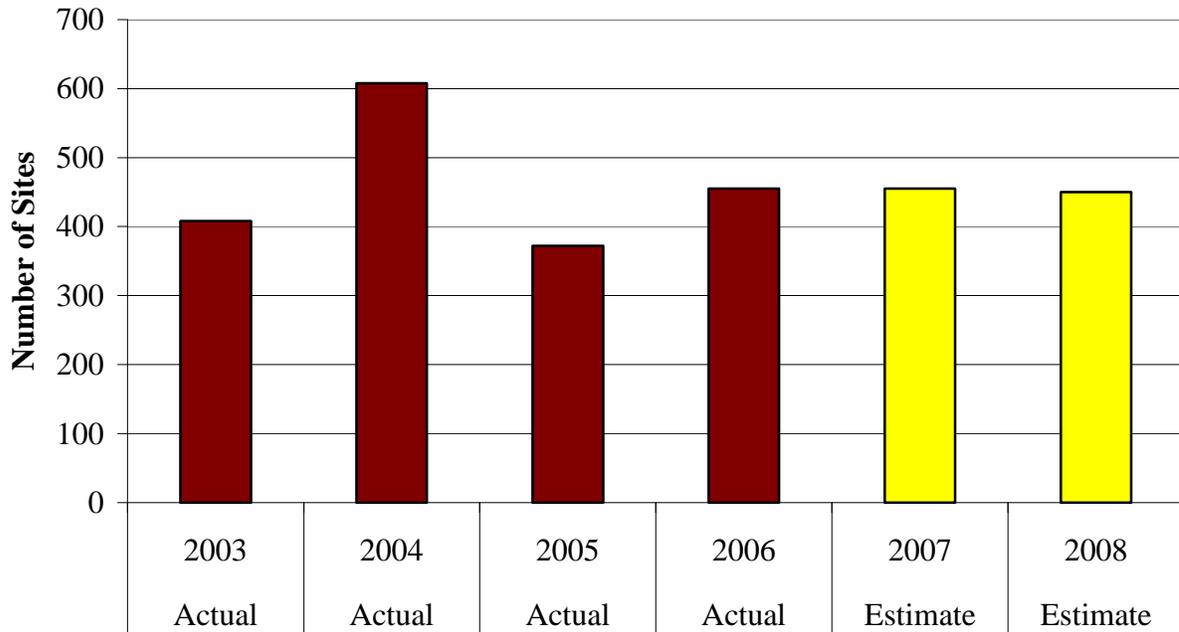
Program Description: The Hazardous Substance Clean-up Program provides funds for cleaning up uncontrolled sites listed on the federal National Priorities List (Superfund) and other uncontrolled waste sites within the State that do not qualify for federal funding through the Superfund program. Remediation costs are shared by the federal (90%) and state (10%) governments for federal Superfund “orphan” sites. Orphan sites are those that lack a financially viable responsible party to pay for the cleanup. However, the State provides up to 100% of the costs for the projects not included on the National Priorities List and seeks cost recovery when possible from responsible parties. At orphan sites, the State also provides 100% of the cost of the preliminary site assessment.

Program Performance Analysis: The Maryland Department of the Environment (MDE) uses the number of sites on the State Master List and Non-State Master List as a measure of the success of the hazardous substance clean-up program. While **Exhibit 4** shows that fiscal 2005 had the least number of sites on the list, this measure does not reflect the number of sites successfully remediated through the Hazardous Substance Clean-up program. **The Department of Legislative Services recommends that MDE provide performance information about the total number of sites identified and remediated annually.**

Comments: The fiscal 2008 allowance of \$850,000 in general funds would be used for site assessments (\$200,000) and the following four projects:

Harundale Well Field (\$200,000) – The Harundale and Glendale well fields, which serve as community water supplies for sections of Anne Arundel County, have been impacted by a commonly used chlorinated solvent from an unidentified source. This phase of the project would define the extent of the hazard, identify the degree of clean-up required, and determine if there is a responsible party so the chlorinated solvent can be removed from the well fields in order to eliminate the threat to public health. MDE has identified several possible sources of the contamination, and initiation of the investigation is pending access to the site.

**Exhibit 4
Sites on State Master List and Non-State Master List
Fiscal 2003-2008**



Source: Governor’s Budget Books, Fiscal 2005-2008

Montgomery Brothers – Site Improvements (\$200,000) – Hazardous waste solvents were removed from the Montgomery Brothers site in 1983 and an agreement was reached with the responsible parties whereby MDE and the Environmental Protection Agency (EPA) were reimbursed for cleanup costs, and the property was transferred to MDE. Assessment work in 2002 revealed the site’s previous use as a dump, and MDE placed a protective cap over the site. The fiscal 2008 allowance provides funding for removing trees and shrubs piercing the cap, correcting drainage problems, regrading and seeding the site, and installing a fence. A workplan was completed approximately two years ago, but work has been delayed due to a lack of funding and questions concerning contribution by former responsible parties.

Blenheim Road Site Assessment (\$150,000) – Perchloroethylene, a commonly used chlorinated solvent, was detected in seven residential wells in the Jacksonville area of Baltimore County in June 2006. Bottled water was distributed to residents, carbon treatment units were installed, and an investigation identified a possible source of the contamination. The fiscal 2008 allowance provides funding for subsurface investigation to determine the extent of contamination and necessary remediation.

U00A0103 – Department of the Environment – PAYGO

Chemical Metals Site – Remediation Project (\$100,000) – The Chemical Metals Industries Site was contaminated with chlorinated solvents and EPA conducted an emergency removal in 1981 and 1982. Subsequently, MDE’s predecessor (Office of Environmental Programs at the Department of Health and Mental Hygiene) acquired the site and used it as its field office for emergency response. MDE became concerned about migration of chlorinated solvents; indoor air quality was found to be impacted in the field office and possibly in two adjacent buildings. The fiscal 2008 allowance will install active venting under the foundations to improve air quality. MDE is trying to gain access to adjacent occupied homes to test indoor air. Until this testing is completed, additional investigation or remediation in the homes cannot be determined.

Site Assessments (\$200,000) – Site assessments are important for the State because they determine whether the State needs to take responsibility for a site cleanup.

Hazardous Substance Clean-up Program Fund Data

Prior Program Activity – All Fund Sources
(\$ in Millions)

	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>	<i>FY 2006</i>	<i>FY 2007*</i>
Encumbrances	\$1.318	\$0.949	\$0.428	\$1.383	\$0.057
Expenditures	\$0.954	\$0.857	\$0.164	\$1.148	\$0.186

*As of 11/2006

Authorization Summary
(\$ in Millions)*

Fiscal Year	<i>Authorization</i>	<i>Funds</i>		<i>Balances</i>	
		<i>Encumbered</i>	<i>Expended</i>	<i>To Be Encumbered</i>	<i>To Be Expended</i>
Prior Years	\$5.780	\$5.773	\$5.765	\$0.007	\$0.015
2003	0.550	0.545	0.524	0.005	0.026
2004	0.550	0.550	0.522	0.000	0.028
2005	1.500	1.030	0.228	0.470	1.272
2006	1.075	0.797	0.679	0.278	0.396
2007	0.500	0.001	0.000	0.499	0.500
Total	\$9.955	\$8.696	\$7.718	\$1.259	\$2.237

(\$ in Millions)

<i>Description</i>	<i>2006 Approp.</i>	<i>2007 Approp.</i>	<i>2008 Request</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>
PAYGO GF	\$0.000	\$0.500	\$0.850	\$1.000	\$1.000	\$1.000	\$1.000
GO Bonds	1.075	0.000	0.000	0.000	0.000	0.000	0.000
Total	\$1.075	\$0.500	\$0.850	\$1.000	\$1.000	\$1.000	\$1.000

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2008 Proposed Projects

<u>County</u>	<u>Project Title</u>	<u>Est. Cost</u>	<u>Prior Auth.</u>	<u>FY 2008 Amount</u>	<u>Future</u>	<u>Total State</u>
Anne Arundel	Harundale Well Field Assessment	\$400,000	\$200,000	\$200,000	\$0	100%
Baltimore City	Chemical Metals Site – Remediation Project	753,297	653,297	100,000	0	100%
Baltimore	Blenheim Road Site Assessment	300,000	150,000	150,000	0	100%
Cecil	Montgomery Brothers – Site Improvements	250,000	50,000	200,000	0	100%
Statewide	Site Assessments	200,000	0	200,000	0	100%

Fiscal 2007 Project Status

Project (Location)	Status
● Harundale Well Field Assessment (Anne Arundel County)	Provided in the Comments section.
● Chemical Metals (Baltimore City)	Provided in the Comments section.
● Blenheim Road (Baltimore)	Provided in the Comments section.
● Skipjack (Caroline)	A \$125,000 contract was awarded by the Board of Public Works on January 3, 2007, for additional groundwater treatment and monitoring of the groundwater. The Maryland Department of the Environment (MDE) believes this action will complete the cleanup, and if so, Caroline County will acquire the site for county operations.
● Mill Creek Perchlorate Contamination (Cecil)	MDE was to have received a determination from the Environmental Protection Agency (EPA) by October 2006 concerning whether EPA would conduct an emergency removal.
● Glen Heights (Harford)	The ongoing investigation is proceeding.
● Broadfording Road (Washington)	Completed.
● Site Assessment – 175 Cleaners	Under investigation.
● Site Assessment – Post Road Cleaners	Under investigation.
● Site Assessment – WSSC/Silver Spring	Under investigation.
● Site Assessment – Merrit Cleaners	Under investigation.

Bay Restoration Fund – Wastewater Projects (Statewide)

PAYGO SF	\$35,000,000	Recommendation:	Approve with narrative
REVENUE BONDS	\$50,000,000		

Program Description: The Bay Restoration Fund (BRF) (Chapter 428 of 2004) was created to address the significant decline in Chesapeake Bay water quality due to overenrichment of nutrients such as phosphorus and nitrogen. This dedicated fund, financed in large part by wastewater treatment plant (WWTP) users, will be used to upgrade Maryland’s WWTPs with enhanced nutrient removal (ENR) technology so they are capable of achieving wastewater effluent quality of 3 mg/L total nitrogen and 0.3 mg/L total phosphorus. Revenue from this fund will also support upgrades to sewer infrastructure and septic systems.

This program incorporates the two BRF supported programs described below.

- ***Enhanced Nutrient Removal (\$80,000,000)*** – This program provides grants to local governments to institute ENR technology at the 66 largest WWTPs in Maryland. Overall, upgrading these WWTPs will reduce nitrogen loading to the Chesapeake Bay and its tributaries by an additional 7.5 million pounds per year, representing approximately one-third of the additional reduction needed for Maryland to reach its commitment under the *2000 Chesapeake Bay Agreement*.
- ***Sewer Rehabilitation (\$5,000,000)*** – The goal of this program is to ensure a safe and adequate sewer infrastructure, as required by the Clean Water Act. The program provides 100% grants to local governments to correct combined sewer overflow (CSO) problems, rehabilitate existing sewers, correct excessive inflow/infiltration problems, and upgrade pumping stations. This program will help WWTPs operate more efficiently by regulating the flow of water sent to these plants during periods of rain and effectively prevent overflows of untreated sewage.

Program Performance Analysis: The Maryland Department of the Environment has included a nitrogen load reduction number that relates specifically to the nitrogen load reduction for the fiscal 2008 proposed projects. The proposed fiscal 2008 projects would reduce nitrogen loading by approximately 6.2 million pounds per year.

Exhibit 5 describes the status of efforts to install biological nutrient removal (BNR) and ENR technology at the 66 major WWTPs. BNR technology allows WWTPs to achieve wastewater effluent quality of 8 mg/L total nitrogen and 3 mg/L total phosphorus. As of January 2007, of the 66 major WWTPs, 68% are operating at the BNR level, two are operating at the ENR level, and 35% have completed the ENR planning stage.

Exhibit 5
Status of BNR and ENR Construction
Fiscal 2007

	<u>BNR</u>	<u>ENR</u>
Pre-planning	0	19
Planning	3	23
Design	7	12
Construction	11	10
Under Operation	45	2
Total	66	66

Source: Maryland Department of the Environment

Comments: The fiscal 2008 allowance of \$85.0 million (\$35.0 million in special funds and \$50.0 million in revenue bonds) would be used for the following purposes:

- \$80.0 million to construct ENR upgrades at 27 major WWTPs in 10 jurisdictions (Allegany, Anne Arundel, Calvert, Dorchester, Frederick, Harford, Montgomery, Prince George’s, St. Mary’s, and Washington) and 3 regional facilities that serve over 1.5 million residences throughout the State;
- \$2.45 million for sanitary sewer rehabilitation projects in six jurisdictions (Allegany, Carroll, Dorchester, Harford, and Talbot counties, and Baltimore City);
- \$1.35 million to abate three CSOs in Allegany County; and
- \$1.20 million for inflow/infiltration correction projects in three jurisdictions (Washington, Wicomico, and Worcester counties).

BRF revenue is collected by the Comptroller and then transferred to WQFA accounts. As a result, for WQFA to transfer any funds to the trustee bank for BRF revenue bond debt service, an appropriation is necessary. MDE has budgeted \$5.0 million for debt service in its operating budget.

Bay Restoration Fund – Wastewater Project Fund Data (Statewide)

Fund History

	<i>FY 2006 Actual</i>	<i>FY 2007 Estimated</i>	<i>FY 2008 Estimated</i>
Beginning Balance	\$7,061,405	\$32,906,062	\$13,881,062
REVENUE			
General Funds	\$0	\$0	\$0
GO Bonds	0	0	0
Bay Restoration Fund Fee Revenue	57,686,675	58,000,000	58,000,000
Investment Income	941,410	1,000,000	1,000,000
Revenue Bond Proceeds	0	0	50,000,000
TOTAL REVENUE	\$58,628,085	\$59,000,000	\$109,000,000
TOTAL AVAILABLE	\$65,689,490	\$91,906,062	\$122,881,062
ENCUMBRANCES			
ENR Grant Awards	\$30,000,000	\$70,000,000	\$80,000,000
Sewer Rehabilitation Grant Awards	2,675,000	7,325,000	5,000,000
Operating Expenses	108,428	700,000	800,000
Debt Service Reserve	0	0	5,000,000
Debt Service Payment	0	0	0
TOTAL ENCUMBRANCES	\$32,783,428	\$78,025,000	\$90,800,000
Ending Balance	\$32,906,062	\$13,881,062	\$32,081,062

ENR: Enhanced Nutrient Removal

* ENR Grant Awards as of 12/31/06 = \$39.2 million

* Sewer Rehabilitation Grant Awards as of 12/31/06 = \$2.0 million

Bay Restoration Fund – Wastewater Projects Fund Data

(\$ in Millions)

<i>Description</i>	<i>2006 Approp.</i>	<i>2007 Approp.</i>	<i>2008 Request</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>
PAYGO SF	\$35.000	\$75.000	\$35.000	\$54.000	\$3.000	\$0.000	\$55.000
REVENUE BONDS	\$0.000	\$0.000	\$50.000	\$130.000	\$200.000	\$137.000	\$0.000
Total	\$35.000	\$75.000	\$85.000	\$184.000	\$203.000	\$137.000	\$55.000

BRF: Bay Restoration Fund

* 2012 Estimate based on availability of BRF fee revenue.

Recommended Actions

1. Concur with Governor’s allowance.
2. Adopt the following narrative:

Funding for Bay Restoration Fund Implementation: The committees are concerned about the potential for insufficient funding of Bay Restoration Fund implementation. MDE estimates that the BRF program will issue a total of \$530.0 million in revenue bonds through fiscal 2012; however, these revenue bonds will only support the initially anticipated cost of approximately \$765.0 million to upgrade the 66 major WWTPs. In addition, recent increases in estimated WWTP project constructions costs (due to energy and material costs) raise the concern that sufficient revenue may not be available to provide 100% grant funding for upgrade projects that begin construction in 2012 and beyond. Therefore, the committees request that MDE submit a report to the budget committees by July 1, 2007, which contains the following information:

- comparison of estimated and actual revenues, factors contributing to the variance, and options available for financing WWTP projects if sufficient Bay Restoration funds are not available;
- comparison of construction bid estimates with actual bids, factors contributing to the difference, and how these cost factors may be mitigated; and
- how scheduling of projects has progressed relative to expectations, what the differences have been, and why they have occurred.

Information Request	Author	Due Date
Report on funding for Bay Restoration Fund implementation	MDE	July 1, 2007

Fiscal 2008 Proposed Enhanced Nutrient Removal Projects

<u>County</u>	<u>Project Title</u>	<u>Fiscal 2007 Amount</u>	<u>Project Status</u>
Allegany	Cumberland ENR	\$14,000,000	Under Design
Allegany	George's Creek ENR	2,800,000	Construction
Anne Arundel	Annapolis ENR	1,000,000	Planning
Anne Arundel	Broadneck ENR	500,000	Planning
Anne Arundel	Cox Creek ENR	3,000,000	Design/Construction
Anne Arundel	Dorsey Run ENR	400,000	Planning
Anne Arundel	Mayo Large Communal ENR	1,400,000	Construction
Calvert	Chesapeake Beach ENR	1,000,000	Design/Construction
Dorchester	Cambridge ENR	650,000	Design/Construction
Frederick	Ballenger ENR	480,000	Planning
Frederick	Frederick ENR	10,000,000	Design/Construction
Harford	Aberdeen ENR	3,100,000	Construction
Harford	Havre de Grace ENR	2,600,000	Construction
Harford	Joppatown ENR	1,600,000	Design
Harford	Sod Run ENR	10,000,000	Design
Montgomery	Seneca RNE	400,000	Planning
Montgomery	Damascus ENR	100,000	Construction
Prince George's	Bowie ENR	4,000,000	Construction
Prince George's	Parkway ENR	760,000	Planning
Prince George's	Piscataway ENR	140,000	Design/Construction
Prince George's	Western Branch ENR	3,000,000	Design/Construction
St. Mary's	Leonardtown ENR	2,300,000	Construction
Washington	Conococheague ENR	500,000	Planning
Washington	Hagerstown ENR	3,070,000	Construction
Regional	Back River ENR	5,000,000	Planning
Regional	Blue Plains ENR	3,200,000	Planning
Regional	Patapsco ENR	5,000,000	Design/Construction
	Total	\$80,000,000	

ENR: Enhanced Nutrient Removal

Fiscal 2007 Enhanced Nutrient Removal Projects

<u>County</u>	<u>Project Title</u>	<u>Fiscal 2007 Amount</u>	<u>Project Status</u>
Allegany	Cumberland ENR	\$1,000,000	Design
Allegany	George's Creek ENR	4,477,000	Design/Construction
Anne Arundel	Cox Creek ENR	1,000,000	Planning
Anne Arundel	Mayo ENR	300,000	Planning
Calvert	Chesapeake Beach ENR	300,000	Design
Caroline	Federalburg ENR	1,910,000	Design/Construction
Carroll	Mount Airy ENR	3,000,000	Design/Construction
Cecil	Elkton ENR	7,400,000	Construction
Cecil	Perryville ENR	2,700,000	Design
Dorchester	Cambridge ENR	100,000	Planning
Frederick	Brunswick ENR	8,263,000	Construction
Frederick	Frederick ENR	5,000,000	Design
Harford	Aberdeen ENR	700,000	Planning
Harford	Havre De Grace	400,000	Design
Harford	Joppatown ENR	400,000	Planning
Harford	Sod Run ENR	5,000,000	Planning
Kent	Chestertown ENR	1,900,000	Construction
Prince George's	Bowie ENR	1,100,000	Design
Prince George's	Parkway ENR	70,000	Planning
Prince George's	Piscataway ENR	100,000	Planning
Prince George's	Western Branch ENR	1,000,000	Planning
St. Mary's	Leonardtown ENR	510,000	Design
Talbot	Easton ENR	5,230,000	Construction
Wicomico	Delmar ENR	3,140,000	Design
Regional	Back River ENR	5,000,000	Planning
Regional	Patapsco ENR	10,000,000	Design
	Total	\$70,000,000	

ENR: Enhanced Nutrient Removal

Fiscal 2008 Proposed Sewer Rehabilitation Projects

<u>County</u>	<u>Project Title</u>	<u>Fiscal 2008 Amount</u>	<u>Project Status</u>
Allegany	Cumberland Combined Sewer Overflow	450,000	Under Planning/Construction
Allegany	Frostburg Combined Sewer Overflow Elimination Project	700,000	Construction
Allegany	Grahamtown Sanitary Sewer Rehabilitation	500,000	Construction
Allegany	Westernport Combined Sewer Overflow	200,000	Under Planning/Construction
Baltimore City	Baltimore City Sanitary Sewer Overflow	1,000,000	Construction
Carroll	Taneytown-Baltimore Street Sanitary Sewer Replacement	200,000	Construction
Dorchester	Gordon Street Lift Station Upgrade	150,000	Construction
Harford	Havre de Grace Sewer Main Replacement	200,000	Construction
Talbot	St. Michaels Region II Sewer Collection System Improvements	400,000	Construction
Washington	Williamsport I/I Repairs	400,000	Construction
Wicomico	Fruitland I/I Repairs	600,000	Construction
Worcester	Pocomoke City I/I Repairs	200,000	Construction
	Total	\$5,000,000	

I/I: inflow and infiltration

Fiscal 2007 Sewer Rehabilitation Projects

<u>County</u>	<u>Project Title</u>	<u>Fiscal 2008 Amount</u>	<u>Project Status</u>
Allegany	Cumberland Combined Sewer Overflow	\$2,000,000	Planning/Construction
Allegany	Frostburg Combined Sewer Overflow Elimination Project	1,000,000	Planning/Construction
Allegany	Westernport Combined Sewer Overflow	1,500,000	Planning/Construction
Baltimore City	Baltimore City Sanitary Sewer Overflow	1,300,000	Construction
Caroline	Lockerman Street Lift Station	100,000	Design/Construction
Cecil	Port Deposit New WWTP & Sewer Collection System	200,000	Design/Construction
Dorchester	Secretary I/I Reduction Phase 2	200,000	Design/Construction
St. Mary's	Piney Point/Evergreen Park Inflow/Infiltration	325,000	Construction
Talbot	St. Michaels Region II Sewer Collection System Improvements	500,000	Construction
Washington	Halfway I/I Rehabilitation	200,000	Construction
	Total	\$7,325,000	

I/I: inflow and infiltration

WWTP: Wastewater Treatment Plant

Bay Restoration Fund – Septic System Projects (Statewide)

PAYGO SF

\$6,000,000

Recommendation: Approve

Program Description: The Bay Restoration Fund (Chapter 428 of 2004) was created to address the significant decline in Chesapeake Bay water quality due to overenrichment of nutrients such as phosphorus and nitrogen. This dedicated fund, financed in large part by wastewater treatment plant (WWTP) users, will be used to upgrade Maryland’s WWTPs with enhanced nutrient removal technology so they are capable of achieving wastewater effluent quality of 3 mg/L total nitrogen and 0.3 mg/L total phosphorus. In addition to the WWTP user fee, a \$30/year per septic/holding tank fee was created. There are approximately 420,000 onsite septic systems in Maryland, so the Maryland Department of the Environment (MDE) estimates that an estimated \$12.6 million will be generated annually – with 60% of this revenue being allocated to MDE for the septic system upgrade program and 40% to the Maryland Department of Agriculture for the Cover Crop Program.

MDE will provide grants to upgrade failing systems and holding tanks with the best available technology for nitrogen removal. The program will give priority to projects that involve failing systems in environmentally sensitive areas that are ready to proceed.

Program Performance Analysis: MDE has several performance measures that track the impact of its efforts to reduce point-source nutrient loading problems in the Chesapeake Bay and its tidal tributaries. However, MDE does not have a measure that tracks the specific estimated reductions associated with this substantial capital budget program. Instead, MDE’s performance measures simply track the number of septic grants financed. **MDE should include a measure in future performance plans that provides an estimate of the impact that this program has on the State’s overall level of point-source nutrient pollution based on the number of grants/projects.**

Comments: The fiscal 2008 allowance of \$6.0 million in special funds provides funding for approximately 500 septic system upgrades.

Bay Restoration Fund – Septic System Project Fund Data

Fund History

	<i>FY 2006 Actual</i>	<i>FY 2007 Estimated</i>	<i>FY 2008 Estimated</i>
Beginning Balance	\$157,497	\$4,784,096	\$1,809,096
REVENUE			
General Funds	\$0	\$0	\$0
GO Bonds	0	0	0
Bay Restoration Fund Fee Revenue	4,782,770	8,400,000	7,200,000
Investment Income	99,742	125,000	125,000
TOTAL REVENUE	\$4,882,512	\$8,525,000	\$7,325,000
TOTAL AVAILABLE	\$5,040,009	\$13,309,096	\$9,134,096
ENCUMBRANCES			
Septic System Grant Awards	\$0	\$11,000,000	\$6,000,000
Operating Expenses	255,913	500,000	500,000
TOTAL ENCUMBRANCES	\$255,913	\$11,500,000	\$6,500,000
Ending Balance	\$4,784,096	\$1,809,096	\$2,634,096

* Septic System Grant Awards awarded as of 12/31/06 = \$9.0 million.

Bay Restoration Fund – Septic System Projects Fund Data

(\$ in Millions)

<i>Description</i>	<i>2006 Approp.</i>	<i>2007 Approp.</i>	<i>2008 Request</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>
PAYGO SF	\$0.250	\$11.000	\$6.000	\$6.000	\$6.000	\$6.000	\$6.000

Fiscal 2008 Proposed Sewer Rehabilitation Projects

The Request for Proposals commitment the Maryland Department of the Environment made with the counties is for a two-year grant period. Therefore, fiscal 2007 septic system upgrade projects (primarily reimbursable grants to the counties for solicitation of projects) are scheduled to carry through fiscal 2008.

Fiscal 2007 Septic System Upgrade Projects

<u>County</u>	<u>Project Title</u>	<u>Fiscal 2007 Amount</u>	<u>Project Status</u>
Anne Arundel	Anne Arundel Co. Health Department	\$2,644,000	Planning/ BPW Approved 12/6/06
Calvert	Calvert Co. Dept. of Planning/Zoning	933,000	Planning/ BPW Approved 12/6/06
Caroline	Caroline Co. Health Department	144,000	Planning/ BPW Approved 12/6/06
Charles	Charles Co. Health Department	604,000	Planning/ BPW Approved 12/6/06
Frederick	Frederick Co. Health Department	712,000	Planning/ BPW Approved 12/6/06
Kent	Kent Co. Water and Wastewater Dept.	597,000	Planning/ BPW Approved 12/6/06
Queen Anne's	State DNR (Corsica River Pilot Project)	287,000	Planning/ BPW Approved 12/6/06
Talbot	Talbot Co. Dept. of Public Works	1,168,000	Planning/ BPW Approved 12/6/06
Wicomico	Wicomico Co. Health Department	771,000	Planning/ BPW Approved 12/6/06
Worcester	Worcester Co. – Environmental Program	1,142,000	Planning/ BPW Approved 12/6/06
Statewide	Miscellaneous OSDS Upgrade Projects	1,998,000	Planning/only individual projects over \$25,000 will be brought before BPW
	Total	\$11,000,000	

BPW: Board of Public Works

DNR: Department of Natural Resources

OSDS: Onsite Sewage Disposal System

Fiscal Summary
Department of the Environment – PAYGO

<u>Program/Unit</u>	<u>FY06 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07-FY08 % Change</u>
03 Water Quality Revolving Loan Fund	\$ 102,382,000	\$ 72,618,000	\$ 60,000,000	-\$ 12,618,000	-17.4%
04 Hazardous Substance Cleanup Program	0	500,000	850,000	350,000	70.0%
05 Drinking Water Revolving Loan Fund	9,505,000	15,166,000	14,000,000	-1,166,000	-7.7%
06 Biological Nutrient Removal Program	0	2,212,000	0	-2,212,000	-100.0%
11 Bay Restoration Fund – Wastewater Projects	35,000,000	75,000,000	35,000,000	-40,000,000	-53.3%
12 Bay Restoration Fund – Septic System	0	11,000,000	6,000,000	-5,000,000	-45.5%
Total Expenditures	\$ 146,887,000	\$ 176,496,000	\$ 115,850,000	-\$ 60,646,000	-34.4%
General Fund	\$ 0	\$ 15,149,000	\$ 7,330,000	-\$ 7,819,000	-51.6%
Special Fund	98,633,000	126,853,255	79,526,000	-47,327,255	-37.3%
Federal Fund	43,254,000	34,493,745	28,994,000	-5,499,745	-15.9%
Total Appropriations	\$ 141,887,000	\$ 176,496,000	\$ 115,850,000	-\$ 60,646,000	-34.4%
Reimbursable Fund	\$ 5,000,000	\$ 0	\$ 0	\$ 0	0.0%
Total Funds	\$ 146,887,000	\$ 176,496,000	\$ 115,850,000	-\$ 60,646,000	-34.4%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**66 Major Wastewater Treatment Plants
Fiscal 2008 Updated BNR and ENR Status and Budget
January 11, 2007**

Major WWTP	Total Estimated Cost	Estimated State BNR Share					Estimated State ENR Share					Other
		BNR Status (as of 1/11/07)	BNR Eligible Design Capacity	Total State BNR	BNR Grant Encumbered (thru 12/31/06)	Future Enc.	ENR Status (as of 1/11/07)	ENR Eligible Design Capacity	Total State ENR	BRF ENR Grant Encumbered (thru 12/31/06)	Future Enc.	
APG-Aberdeen*	n/a	Construction	2.80	n/a	n/a	n/a	Construction	2.800	n/a	n/a	n/a	n/a
Aberdeen	7,000,000	Operation	4.00	-	-	-	Planning	4.000	7,000,000	200,000	6,800,000	-
Annapolis	10,710,000	Operation	10.00	-	-	-	Pre-planning	13.000	10,710,000	-	10,710,000	-
Back River	117,000,000	Operation	180.00	-	-	-	Planning	180.000	117,000,000	5,000,000	112,000,000	-
Ballenger Creek	4,800,000	Operation	6.00	-	-	-	Planning	6.000	4,800,000	-	4,800,000	-
Blue Plains (MD Portion)	507,200,000	Design***	169.60	74,000,000	8,223,009	65,776,991	Planning	169.600	264,000,000	-	264,000,000	169,200,000
Bowie	8,200,000	Operation	3.30	-	-	-	Design	3.300	8,200,000	600,000	7,600,000	-
Broadneck	6,400,000	Operation	6.00	-	-	-	Pre-planning	6.000	6,400,000	-	6,400,000	-
Broadwater	5,100,000	Operation	2.00	-	-	-	Pre-planning	2.000	5,100,000	-	5,100,000	-
Brunswick	14,100,400	Construction	0.70	2,398,688	2,750,000	(351,312)	Construction	1.400	8,263,000	8,263,000	-	3,438,712
Cambridge	1,750,000	Operation	8.10	-	-	-	Planning	8.100	1,750,000	100,000	1,650,000	-
Celanese	16,845,359	Operation	1.25	-	-	-	Operation	2.000	2,500,000	2,500,000	-	-
Centreville	1,000,000	Operation	0.38	-	-	-	Pre-planning	0.500	1,000,000	-	1,000,000	-
Chesapeake Beach	3,300,000	Operation	1.18	-	-	-	Planning	1.500	3,300,000	-	3,300,000	-
Chestertown	9,598,416	Construction	0.90	3,045,273	2,470,000	575,273	Construction	1.500	2,000,000	2,000,000	-	4,553,143
Conococheague	5,200,000	Operation	4.10	-	-	-	Planning	4.100	5,200,000	-	5,200,000	-
Cox Creek	29,910,000	Operation	15.00	-	-	-	Pre-planning	15.000	29,910,000	-	29,910,000	-
Crisfield	10,270,523	Construction	1.00	2,026,100	2,026,100	-	Construction	1.000	4,231,000	4,231,000	-	4,013,423
Cumberland	30,700,000	Operation	15.00	-	-	-	Design	15.000	30,500,000	-	30,500,000	199,000
Damascus	1,000,000	Operation	1.50	-	-	-	Design	1.500	1,000,000	-	1,000,000	-
Delmar	7,718,450	Design	0.65	843,000	843,000	-	Planning	0.850	3,140,000	-	3,140,000	3,735,450
Denton	3,100,000	Operation	0.80	-	-	-	Pre-planning	0.800	3,100,000	-	3,100,000	-
Dorsey Run (State)	3,900,000	Operation	2.00	-	-	-	Planning	2.000	3,900,000	-	3,900,000	-
Easton	38,113,191	Construction	2.35	8,930,000	8,930,000	-	Construction	4.000	8,660,000	8,660,000	-	20,523,191
Elkton	36,800,000	Construction	2.70	7,361,790	4,700,000	2,661,790	Construction	3.050	7,500,000	7,500,000	-	23,887,844
Emmitsburg	3,000,000	Operation	0.75	-	-	-	Planning	0.750	3,000,000	-	3,000,000	-
Federalsburg	4,223,078	Design	0.75	992,000	1,019,000	(27,000)	Design	0.750	2,270,000	360,000	1,910,000	961,078
Frederick	29,000,000	Operation	8.00	-	-	-	Design	8.000	29,000,000	-	29,000,000	-
Freedom District	3,500,000	Operation	3.50	-	-	-	Planning	3.500	3,500,000	-	3,500,000	-
Fruitland	3,100,000	Operation	0.50	-	-	-	Pre-planning	0.800	3,100,000	-	3,100,000	-
Georges Creek	20,072,252	Design	0.60	4,037,402	1,000,000	3,037,402	Design	0.600	8,000,000	-	8,000,000	8,034,850
Hagerstown	9,125,000	Operation	8.00	-	-	-	Planning	8.000	8,900,000	-	8,900,000	-
Havre De Grace	38,145,000	Operation	1.89	-	-	-	Design	2.275	13,600,000	400,000	13,200,000	24,545,000
Hurlock	1,000,000	Operation	2.00	-	-	-	Operation	1.650	1,000,000	1,000,000	-	-
Indian Head	14,270,948	Construction	0.50	2,831,451	2,841,451	(10,000)	Construction	0.500	6,484,000	6,484,000	-	4,624,231
Joppatowne	10,083,831	Operation	0.95	-	-	-	Planning	0.950	10,000,000	-	10,000,000	83,831
Kent Island	35,018,817	Construction	2.14	8,525,817	8,725,817	(200,000)	Construction	3.000	6,493,000	6,493,000	-	20,000,000
La Plata	3,500,000	Operation	1.00	-	-	-	Pre-planning	1.500	3,500,000	-	3,500,000	-
Leonardtown	18,736,249	Operation	0.68	-	-	-	Design	0.680	5,110,000	-	5,110,000	13,626,249
Little Patuxent	28,000,000	Operation	22.50	-	-	-	Planning	25.000	28,000,000	-	28,000,000	-

Major WWTP	Total Estimated Cost	Estimated State BNR Share					Estimated State ENR Share					Other
		BNR Status (as of 1/11/07)	BNR Eligible Design Capacity	Total State BNR	BNR Grant Encumbered (thru 12/31/06)	Future Enc.	ENR Status (as of 1/11/07)	ENR Eligible Design Capacity	Total State ENR	BRF ENR Grant Encumbered (thru 12/31/06)	Future Enc.	
Marlay Taylor (Pine Hill Run)	11,400,000	Operation	6.00	-	-	-	Pre-planning	6.000	11,400,000	-	11,400,000	
Maryland City	1,400,000	Operation	2.50	-	-	-	Pre-planning	2.500	1,400,000	-	1,400,000	
Maryland Correctional Institute (State)	3,400,000	Operation	1.23	-	-	-	Pre-planning	1.600	3,400,000		3,400,000	
Mattawoman	29,451,091	Construction	15.00	10,434,000	9,990,000	444,000	Pre-planning	20.000	n/a	-	-	19,017,091
Mayo Large Communal	19,074,694	Planning	0.615	5,456,000	-	5,456,000	Pre-planning	0.820	3,000,000	-	3,000,000	10,618,694
Mount Airy	3,200,000	Operation	1.20	-	-	-	Design	1.200	3,200,000	200,000	3,000,000	
Northeast River	3,700,000	Operation	2.00	-	-	-	Pre-planning	2.000	3,700,000	-	3,700,000	
Parkway	8,560,000	Operation	7.50	-	-	-	Planning	7.500	8,310,000	-	8,310,000	250,000
Patapsco	204,626,000	Design	73.00	41,313,000	7,772,750	33,540,250	Design	73.000	122,000,000	10,000,000	112,000,000	41,313,000
Patuxent	1,088,690	Operation	7.50	-	-	-	Pre-planning	7.500	n/a	-	-	-
Perryville	13,200,000	Design	1.65	2,500,000	200,000	2,300,000	Design	1.650	2,700,000	200,000	2,500,000	8,000,000
Piscataway	2,690,000	Operation	30.00	-	-	-	Planning	30.000	2,440,000	-	2,440,000	250,000
Pocomoke City	3,500,000	Operation	1.40	-	-	-	Pre-planning	1.470	3,500,000	-	3,500,000	
Poolesville	3,000,000	Operation	0.63	-	-	-	Pre-planning	0.750	3,000,000	-	3,000,000	
Princess Anne	3,400,000	Operation	1.26	-	-	-	Pre-planning	1.260	3,400,000	-	3,400,000	
Salisbury	81,021,487	Construction	6.80	22,817,000	16,473,594	6,343,406	Construction	8.500	3,000,000	3,000,000	-	55,204,487
Seneca Creek	4,250,000	Operation	5.00	-	-	-	Planning	20.000	4,000,000	-	4,000,000	250,000
Snow Hill	1,600,000	Planning	0.50	800,000	800,000	-	Planning	0.500	n/a	n/a	n/a	800,000
Sod Run	61,868,550	Operation	20.00	-	-	-	Planning	20.000	55,000,000	-	55,000,000	6,868,550
Swan Point**	n/a	Design	0.600	n/a	n/a	n/a	Design	0.600	n/a	n/a	n/a	n/a
Talbot County Region II (St. Michael's)	13,036,277	Construction	0.50	2,747,247	2,747,247	-	Construction	0.660	2,000,000	2,000,000	-	8,289,030
Taneytown	3,300,000	Operation	1.10	-	-	-	Pre-planning	1.100	3,300,000	-	3,300,000	
Thurmont	3,200,000	Operation	1.00	-	-	-	Planning	1.000	3,200,000	-	3,200,000	
Western Branch	11,600,000	Operation	30.00	-	-	-	Planning	30.000	11,600,000	-	11,600,000	
Westminster	8,000,000	Operation	5.00	-	-	-	Planning	5.000	8,000,000	-	8,000,000	
Winebrenner WWTP	6,500,000	Planning	1.000	3,000,000	-	3,000,000	Planning	1.000	3,000,000	-	3,000,000	50,000
	1,606,558,303			204,058,768	81,511,968	122,546,800			935,671,000	69,191,000	866,480,000	452,336,854

Note: \$1,500,000 BNR Grant used for ENR pre-planning is excluded from this table

*To be funded by the U.S. Army

**To be funded by private developer

***This project was previously reported as in operation, based on the status of a half-scale pilot project. A full-scale upgrade is now underway and is current status reported