

U00A
Department of the Environment

Operating Budget Data

(\$ in Thousands)

	<u>FY 13</u> <u>Actual</u>	<u>FY 14</u> <u>Working</u>	<u>FY 15</u> <u>Allowance</u>	<u>FY 14-15</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$32,428	\$37,400	\$36,718	-\$682	-1.8%
Contingent & Back of Bill Reductions	0	-581	-344	237	
Adjusted General Fund	\$32,428	\$36,819	\$36,374	-\$445	-1.2%
Special Fund	49,454	61,151	65,806	4,655	7.6%
Contingent & Back of Bill Reductions	0	0	-394	-394	
Adjusted Special Fund	\$49,454	\$61,151	\$65,412	\$4,260	7.0%
Federal Fund	33,183	34,105	34,818	713	2.1%
Contingent & Back of Bill Reductions	0	0	-265	-265	
Adjusted Federal Fund	\$33,183	\$34,105	\$34,554	\$449	1.3%
Reimbursable Fund	3,416	4,497	4,307	-190	-4.2%
Adjusted Reimbursable Fund	\$3,416	\$4,497	\$4,307	-\$190	-4.2%
Adjusted Grand Total	\$118,483	\$136,572	\$140,647	\$4,074	3.0%

- The Governor has included two cost containment measures specific to the Maryland Department of the Environment (MDE): a targeted year-end reversion of \$550,000 in general funds from the Oil Control Program and the transfer of \$300,000 from the State Radiation Control Fund to the general fund.
- The overall change in MDE's fiscal 2015 budget is an increase of \$4.1 million, or 3.0%. The single largest change in the budget is an increase of \$3.0 million in special funds for wastewater treatment plant operation and maintenance funding from the Bay Restoration Fund.

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

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Personnel Data

	<u>FY 13 Actual</u>	<u>FY 14 Working</u>	<u>FY 15 Allowance</u>	<u>FY 14-15 Change</u>
Regular Positions	929.00	937.00	958.00	21.00
Contractual FTEs	<u>29.00</u>	<u>62.00</u>	<u>47.00</u>	<u>-15.00</u>
Total Personnel	958.00	999.00	1,005.00	6.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	61.37	6.55%
Positions and Percentage Vacant as of 12/31/13	87.50	9.34%

- Regular positions increase by 21.0 between the fiscal 2014 working appropriation and the fiscal 2015 allowance. The positions are as follows: 11.0 positions (of which 7.0 are contractual conversions) for increased workload related to the expanded universe of rental properties covered by Chapter 387 of 2012 (Environment – Reducing the Incidence of Lead Poisoning); 8.0 positions for reviewing Chesapeake and Atlantic Coastal Bays 2010 Trust Fund projects in the Water Management Administration; 1.0 position for greater dam safety coverage in the Water Management Administration; and 1.0 position for greater shellfish water quality monitoring work as a result of an increase in shellfish aquaculture.
- Contractual full-time equivalents (FTE) decrease by a net of 15.0, 16.0 FTEs abolished and 1.0 FTE added, primarily due to the reduction of 10.0 FTEs in the Land Management Administration – Oil Control. There is an increase of 1.0 FTE in Coordinating Offices – Legal Services to assist with administrative cases, which require a specialized skill set.
- MDE’s turnover rate increases slightly from 6.51 to 6.55% in the fiscal 2015 allowance. This will necessitate holding 61.37 positions open; MDE has 87.5 positions vacant as of December 31, 2013.

Analysis in Brief

Major Trends

Shellfish Sampling Statistics Improve for Percent of Required Sampling Achieved: There was an improvement in the shellfish sampling statistics for percent of required sampling achieved. This was due to sites being approved, which reduces the need for monitoring.

Dental Machine Radiation Compliance Rates May Improve: The requirement to submit preventive maintenance reports may increase overall dental radiation machine compliance rates.

Upwind Ozone Challenges: Interstate air pollution transport will make it difficult for Maryland to meet the eight-hour ozone standard unless addressed.

Issues

Greenhouse Gases Receive Increased Scrutiny: The Greenhouse Gas Emissions Reduction Act of 2009 required the State to reduce greenhouse gas emissions by 25% from 2006 levels by 2020 and MDE to adopt a final greenhouse gas reduction plan by December 31, 2012. The plan was submitted, and an increase in Regional Greenhouse Gas Initiative funding will help Maryland achieve its goal. **The Department of Legislative Services (DLS) recommends that MDE comment on the status of the State Implementation Plans for the ozone and fine particulate standards. DLS also recommends that MDE comment on how fiscal 2015 Strategic Energy Investment Fund monies will be used to help meet the Greenhouse Gas Reduction Act plan, including how funding will be used for the zero waste sector.**

Marcellus Shale Studies and Funding: In June 2011, Governor Martin J. O'Malley signed an executive order establishing the Marcellus Shale Safe Drilling Initiative to assist State policymakers and regulators in determining whether and how gas production from the Marcellus Shale in Maryland can be accomplished without unacceptable risks of adverse impacts to public health, safety, and the environment. The draft version of the second of three reports has been submitted, and MDE is spending down fiscal 2013 deficiency funding for the studies. **DLS recommends that MDE comment on the status of preparations and funding for the third Marcellus Shale study required by the executive order.**

Maryland Oil Disaster Containment, Clean-Up, and Contingency Fund Fee: At the 2013 session, SB 875 (Maryland Oil Disaster Containment, Clean-Up and Contingency Fund, and Oil Contaminated Site Environmental Cleanup Fund) failed. It would have increased the fee assessed on oil transferred into the State. As a result of the bill's failure, the Governor included \$3 million in general funds in Supplemental Budget No. 1 of the fiscal 2014 budget bill. **DLS recommends that MDE comment on the impact on the program of the \$550,000 general fund targeted reversion and the long-term funding needs of the State's oil pollution program noted in the workgroup's**

report. DLS also recommends that a \$550,000 general fund reduction be adopted for fiscal 2015 commensurate with the fiscal 2014 targeted reversion.

Recommended Actions

	<u>Funds</u>
1. Reduce funding for the Oil Control Program commensurate with the fiscal 2014 targeted reversion.	\$ 550,000
Total Reductions	\$ 550,000

U00A
Department of the Environment

Operating Budget Analysis

Program Description

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

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

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

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

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

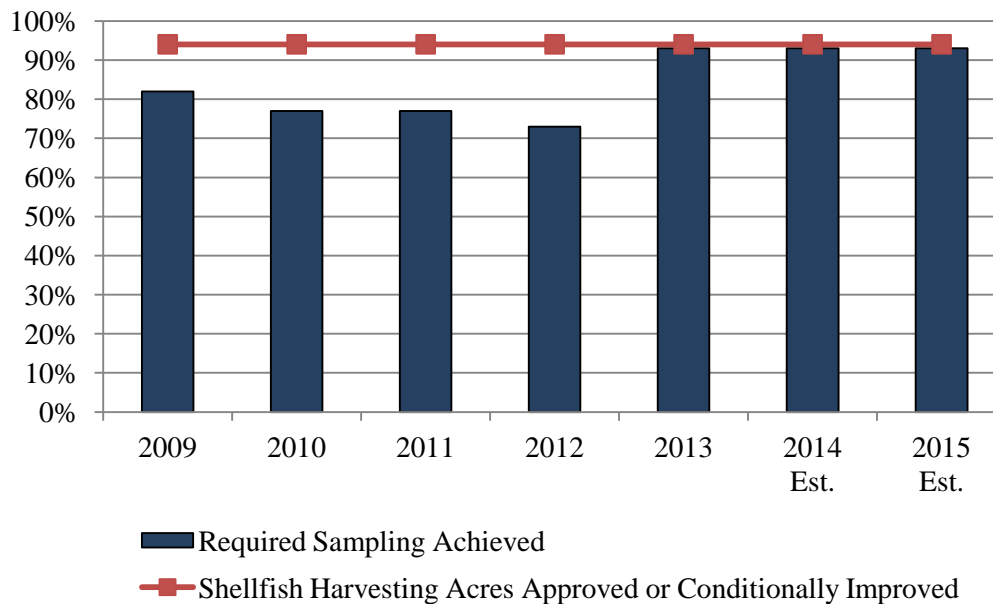
Performance Analysis: Managing for Results

MDE's Managing for Results (MFR) measures show (1) an improvement in the shellfish sampling statistics for percent of required sampling achieved due to sites being approved, which reduces the need for monitoring; (2) a change that will increase dental radiation machine compliance rates; and (3) interstate air pollution transport will make it difficult for Maryland to meet the eight-hour ozone standard unless addressed.

1. Shellfish Sampling Statistics Improve for Percent of Required Sampling Achieved

The Science Services Administration has the goal of improving and protecting water quality. In order to achieve this goal, it has an objective to ensure that Maryland shellfish are harvested from waters that are clean enough to meet National Shellfish Sanitation Program requirements. **Exhibit 1** shows that the percent of required sampling achieved increased from 73% in calendar 2012 to 93% in calendar 2013. This is due to MDE's current standard operating procedures for shellfish monitoring: monitor sites twice a month until the National Shellfish Sanitation Program requirement of 30 samples, necessary for certification, are obtained (approximately 15 months). Once the 30 samples are obtained, sampling at commercial sites is reduced to once per month or 12 times per year. In addition, MDE maintains the twice monthly sampling regime for aquaculture areas important to the industry. Therefore, there is a large sampling hurdle for each new site, which tails off somewhat once the site is certified. Between fiscal 2012 and 2013, several sites were upgraded to an improved status and thus needed less frequent monitoring.

Exhibit 1
Shellfish Sampling Statistics
Calendar 2009-2015



Note: The Maryland Department of the Environment indicates that the calendar 2013 actual numbers are significantly higher than estimated because throughout calendar 2012 and 2013, several areas previously classified as restricted or conditionally approved were reclassified to approved, which require less annual sampling.

Source: Governor's Budget Books, Fiscal 2012-2015

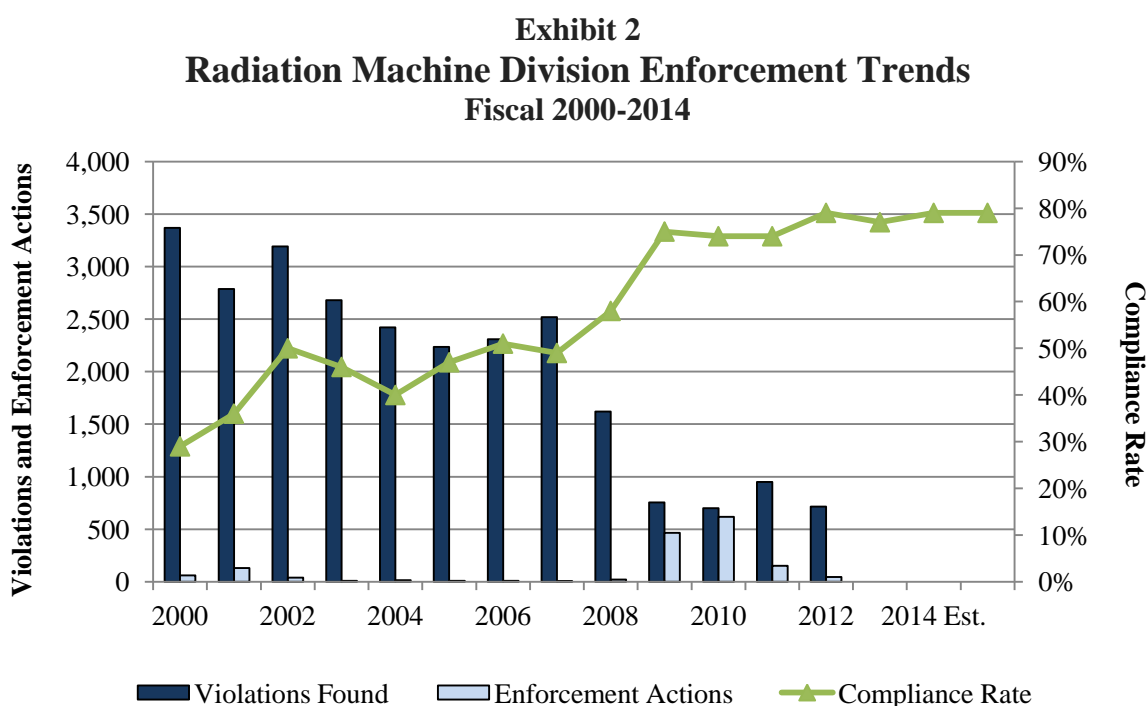
The constant 94% of shellfish harvesting acres approved or conditionally improved, as shown in Exhibit 1, raises the question of why 100% of shellfish harvesting acres is not being approved or conditionally approved. MDE notes that there are three main reasons why 6% of shellfish harvesting waters are not approved or conditionally approved as follows.

- **Use** – There are certain areas, such as marinas or wastewater treatment plant outfalls, that are never safe due to the possibility of contamination by untreated human waste.
- **Location** – The area above Pooles Island in the upper Chesapeake Bay is closed because limited resources are not used to keep these waters open and thus the area is not sampled.
- **Bacteria** – Bacteria sample results are too high to meet water quality standards.

The Department of Legislative Services (DLS) recommends that MDE comment on how the new shellfish water quality monitoring position will impact the MFR measures.

2. Dental Machine Radiation Compliance Rates May Improve

The Air and Radiation Administration has a goal of reducing Maryland citizens' exposure to hazards. The objective connected to this goal is to improve the initial significant compliance rate at radiation machine facilities to at least 80% and ensure that radiation machine facilities comply with all applicable laws and regulations. **Exhibit 2** shows that MDE has approached this objective since fiscal 2012. However, MDE notes that dental x-ray machines are the majority of x-ray machines and that the dental machine compliance rate has stayed around 57% for the past two years – one of the lowest rates found by MDE inspection programs. The overall fiscal 2013 breakdown of compliance rates by machine type is as follows: (1) dental – 58%; (2) veterinary – 78%; (3) hospitals, medical facilities, diagnostic centers, academia, and others – 95%; and (4) mammography – 93%.

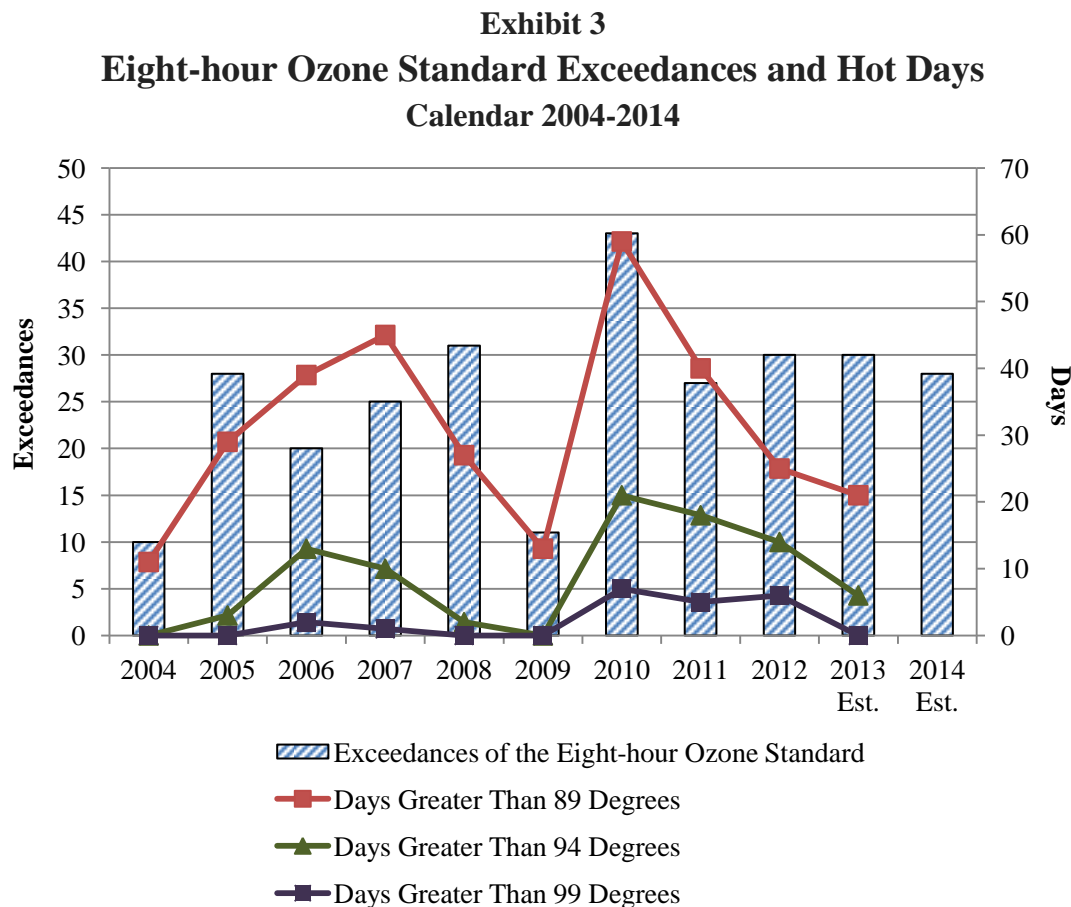


Source: Governor's Budget Books, Fiscal 2003-2015; Maryland Department of the Environment

MDE indicates that it has initiated new preventive maintenance requirements in order to improve dental machine radiation compliance rates. In calendar 2009, MDE required dental radiation machine owners to maintain their machine in line with the manufacturer's recommendation. This was done in order to improve compliance between the triennial inspections. Additionally, since late calendar 2010, MDE has required facilities to submit preventive maintenance reports, which MDE has policed since calendar 2012 by issuing notices of violation if the required documentation has not been submitted. MDE notes that the compliance rate increases to 90% once a notice of violation is issued. **DLS recommends that MDE comment on why dental radiation machines are such a challenging compliance category.**

3. Upwind Ozone Challenges

The Air and Radiation Management Administration has the goal of ensuring that the air is safe to breathe. The objective related to this goal is to achieve attainment with the eight-hour ozone and particulate matter (2.5 micrometer) standards in the Baltimore and Washington metropolitan areas and Cecil County. Maintaining air quality is a challenge in Maryland's urbanized core due to local conditions and emissions, as well as pollutants transported from the Ohio River Valley and areas south of Maryland. The number of exceedances of the eight-hour ozone standard stayed the same between calendar 2012 and 2013, despite slowly cooler temperatures in calendar 2013, as shown in **Exhibit 3**. Up until recently, however, MDE was estimating that there would be 43 exceedances in calendar 2013.



Note: The calendar 2007 data is for greater than 85 parts per billion, while the data for calendar 2008 and beyond reflects a more stringent standard of 75 parts per billion. The National Weather Service data is for March through November of each year at Baltimore-Washington International Thurgood Marshall Airport.

Source: Governor's Budget Books, Fiscal 2007-2015; National Weather Service Baltimore/Washington Forecast Office

MDE has indicated in the past that data gathered from certain limited studies conducted by aircraft and weather balloons suggest that as much as 70% of the pollution that causes an exceedance can be generated from outside of Maryland. MDE notes that meeting the 2008 ozone standard by 2018 will be very difficult without reductions in transported pollution because Maryland will not have enough local emission control programs. This will mean less cost-efficient regulation and a heavier burden for Maryland's businesses. In order to address this interstate transport, MDE looked at a couple of policy options: large attainment area strategy, broaden the ozone transport region, petition for controls under Section 126, and the good neighbor provision. The status of each of these policy options follows.

- **Large Nonattainment Area Strategy** – Maryland joined Connecticut in 2011 in recommending that the U.S. Environmental Protection Agency (EPA) establish nonattainment areas for the 2008 ozone standard that included areas that transported pollution to those nonattainment areas. The EPA rejected the recommendation. Since then Delaware and Connecticut have petitioned the DC Circuit Court to review EPA's decision. Maryland is monitoring this process and will consider its next steps once a court decision has been made about whether to review EPA's decision.
- **Broaden the Ozone Transport Region** – Maryland is about to file a Clean Air Act 176 petition with six other Mid-Atlantic and Northeastern states with the effect of adding nine upwind states to the Ozone Transport Region. The petitioners are Connecticut, Delaware, Maryland, Massachusetts, New York, Rhode Island, and Vermont. The petition seeks to add Illinois, Indiana, Kentucky, Michigan, North Carolina, Ohio, Tennessee, Virginia, and West Virginia to the Ozone Transport Region. The EPA administrator is required to approve or disapprove such a petition within 18 months of receipt.
- **Petition for Controls under Section 126** – Maryland and other states within the Ozone Transport Region are considering the possibility of filing Clean Air Act Section 126 petitions to mandate controls on stationary sources, such as power plants, in other states.
- **Good Neighbor Provision** – Maryland also is considering the option of legally challenging EPA's failure to implement the "good neighbor provision" of the Clean Air Act, which requires states to include measures in their state air quality plans if their exported air pollution "contributes significantly" to another state's nonattainment problem.

DLS recommends that MDE comment on why EPA appears reluctant to use the tools at its disposal for addressing interstate air pollution.

Fiscal 2014 Actions

Cost Containment

There are three across-the-board withdrawn appropriations. This includes reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology (IT) system, and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management (DBM) – Personnel, the Department of Information Technology (DoIT), and the State Retirement Agency (SRA), respectively.

In addition to statewide cost containment, MDE also has two additional reductions in fiscal 2014: a targeted year-end reversion of \$550,000 in general funds from the Oil Control Program and the transfer of \$300,000 from the State Radiation Control Fund to the general fund. The Oil Control Program received a fiscal 2014 supplemental budget appropriation of \$3,000,000 in general funds after the failure of fee legislation – SB 875 of 2013 (Maryland Oil Disaster Containment, Clean-Up and Contingency Fund, and Oil Contaminated Site Environmental Cleanup Fund). The balance transfer from the State Radiation Control Fund is contingent upon a provision in the Budget Reconciliation and Financing Act (BRFA) of 2014 and is estimated to leave approximately \$700,000 at the end of fiscal 2014. In fiscal 2010, \$500,000 was transferred from the State Radiation Control Fund to the general fund.

Proposed Budget

MDE's fiscal 2015 allowance increases by \$4.1 million, or 3.0%, relative to the fiscal 2014 working appropriation, as shown in **Exhibit 4**. The changes by fund reflect a decrease of \$445,000 in general funds, an increase of \$4.3 million in special funds, an increase of \$449,000 in federal funds, and a decrease of \$190,000 in reimbursable funds. The single largest change in the budget is an increase of \$3.0 million in special funds for operation and maintenance funding for wastewater treatment plants. Fiscal 2015 cost containment is discussed first, followed by personnel changes and then other changes.

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

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2014 Working Appropriation	\$36,819	\$61,151	\$34,105	\$4,497	\$136,572
2015 Allowance	<u>36,374</u>	<u>65,412</u>	<u>34,554</u>	<u>4,307</u>	<u>140,647</u>
Amount Change	-\$445	\$4,260	\$449	-\$190	\$4,074
Percent Change	-1.2%	7.0%	1.3%	-4.2%	3.0%

Where It Goes:

Personnel Expenses

Annualized salary increase	\$2,428
Salaries and wages	1,555
New positions	977
Retirement contribution net of across-the-board reduction	652
Fiscal 2014 adjustments	-3,306
Employee and retiree health insurance net of across-the-board reduction	-1,200
Turnover adjustments	-196
Other	51

Other Changes

Grants

Operation and maintenance funding for wastewater treatment plants	3,000
Mining program	792
Maryland Center for Environmental Training	585
Total maximum daily load technical development	300
Waste diversion and utilization	250
Heating oil reimbursement program	-1,463
Stormwater project review and tracking	-450

Contracts

Tracking and identification of children with elevated blood lead levels	761
Scrap tire citizen drop-off day	570
Strategic energy investment fund projects	550
Garner/Brandywine scrap tire cleanup	300
Construction monitoring activities	300

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Where It Goes:

Oil spill remediation	-1,125
Oil control program-related activities.....	-294
<i>Routine Operations</i>	
Real estate taxes for Montgomery Park.....	156
Rent.....	153
Environment permit tracking system modernization.....	-500
Contractual positions	-454
Vehicle fleet.....	-379
Statewide Personnel system allocation.....	-30
Other	91
Total	\$4,074

Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

Cost Containment

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of DBM – Personnel and SRA.

Personnel

MDE's overall personnel expenditures increase by \$960,488. The changes in personnel expenditures are comprised of the following.

- ***Annualized General Salary Increase:*** Salary expenses increase by \$2,428,155 to reflect the annualization of the cost-of-living allowance (COLA) provided on January 1, 2014, and increments on April 1, 2014.
- ***Salaries and Wages:*** Salaries and wages increase \$1,554,823.
- ***New Positions:*** There are 21 new positions in the fiscal 2015 allowance accounting for a \$977,194 increase in personnel expenses. The positions may be broken down by fund type: 2 general fund positions for inspecting dams and monitoring shellfish to support continued expansion of the aquaculture industry and public fishery; 8 reimbursable fund positions to review wetlands restoration and stormwater projects funded by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund; and 11 special fund positions for implementing Chapter 387 of 2012 (Environment – Reducing the Incidence of Lead Poisoning). MDE indicates that 7 of the 11 new special fund positions are contractual conversions.

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- **Retirement Contribution Net of Across-the-board Reduction** – Retirement contribution costs increase by a net of \$651,825, accounting for a statewide across-the-board reduction.
- **Employee and Retiree Health Insurance Net of Across-the-board Reduction** – Health insurance costs decrease by a net of \$1,199,811, accounting for a statewide across-the-board reduction.
- **Turnover Adjustments** – Turnover is increased by \$196,473, an increase from 6.51 to 6.55%, which reduces available funding.

Other Changes

Overall, the nonpersonnel portion of the fiscal 2015 allowance increases by \$3,113,714. The areas of change include grants, contracts, and routine operations. The changes are as follows.

Grants

- ***Operation and Maintenance Funding for Wastewater Treatment Plants:*** MDE is required by the Bay Restoration Fund legislation to use up to 10% of the annual fee revenue collected from wastewater treatment plant users for operation and maintenance funding for wastewater treatment plants upgraded to enhanced nutrient removal technology. This accounts for a \$3,000,000 increase in MDE's fiscal 2015 budget in Coordinating Offices – Enhanced Nutrient Removal Operation and Maintenance Grants. This increase would bring the total amount up to \$5,000,000 in order to provide up to \$30,000 per million gallons per day of design capacity not to exceed \$300,000 per facility. This is an increase from the \$18,000 per million gallons per day of design capacity not to exceed \$216,000 per facility reflected for the fiscal 2014 allowance. **Appendix 2** shows the allocation of funding. **DLS recommends that MDE comment on the methodology it used for allocating the operation and maintenance funding.**
- ***Mining Program:*** There is an overall increase of \$791,900 in Land Management Administration – Mining comprised of an increase of \$1,066,500 in federal funds and a decrease of \$274,600 in special funds. The primary differences are an increase of \$300,000 in federal funds for the Casselman acid mine drainage treatment system – construction phase III project in Garrett County and the addition of \$500,000 in federal funds for the Bald Knob waterline project. In phase I of the Bald Knob project, the Allegany County government will work with the Abandoned Mine Lands Division within MDE to install a six-inch water main to supply water to the residences in the Allegany County road right-of-way for Bald Knob Road.
- ***Maryland Center for Environmental Training*** – The fiscal 2015 budget for MDE increases by \$585,000 in Coordinating Offices – Engineering and Capital Projects Program to reflect increased engineering, training, and technical assistance for review of construction plans by

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the Maryland Center for Environmental Training. This is a combination of \$200,000 in special funds and \$385,000 in federal funds.

- ***Total Maximum Daily Load Technical Development:*** The special fund appropriation in the Science Services Administration – TMDL Technical Development increases by \$300,000 for water quality monitoring and laboratory analysis and the development of water quality models to support the development of TMDLs.
- ***Waste Diversion and Utilization:*** Electronics recycling grants increase by \$250,000 in special funds allowing for grants to more counties and now municipalities, and there is a \$1,500 increase for counties to monitor sewage sludge utilization activities for a total increase of \$251,500 in special funds in the Land Management Administration – Waste Diversion and Utilization Program. The fiscal 2015 allowance includes \$450,000 for electronics recycling grants – \$375,000 for counties and \$75,000 for municipalities – and \$37,000 for monitoring sewage sludge utilization activities.
- ***Heating Oil Reimbursement Program:*** There is no reimbursement program for heating oil underground storage tank owners that incur site rehabilitation costs due to the failure of SB 875 of 2013 (Maryland Oil Disaster Containment, Clean-Up and Contingency Fund, and Oil Contaminated Site Environmental Cleanup Fund). As a result, there is a decrease of \$1,462,500 in special funds in Land Management Administration – Operational Services Program.
- ***Stormwater Project Review and Tracking:*** A fiscal 2014 budget amendment brought in an appropriation in Water Management Administration – Sediment, Stormwater and Dam Safety in order to allow for review of capital projects funded by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund and for enhancement of stormwater project tracking. A portion of this funding totaling \$450,395 in reimbursable funds is reduced in the fiscal 2015 allowance due to the expectation that new regular positions will be approved to replace the work being done by contractors.

Contracts

- ***Tracking and Identification of Children with Elevated Blood Lead Levels:*** Funding in Land Management Administration – Lead Poisoning Prevention increases by \$761,109 (\$40,000 in federal funds and \$721,109 in special funds) for a contractor to develop and implement a new database system to replace the legacy Stellar database system that uses unsupported technology. The database is important for tracking and identifying children with elevated blood lead levels.
- ***Scrap Tire Citizen Drop-off Day:*** An expansion of scrap tire citizen drop-off day activities managed by the Maryland Environmental Service increases the appropriation by \$570,000 in special funds from the State Used Tire Clean-up and Recycling Fund in the Land Management Administration – Waste Diversion and Utilization Program.

- ***Strategic Energy Investment Fund Projects:*** Projects funded by the Strategic Energy Investment Fund in the Land Air and Radiation Management Administration – Air Quality Planning increase by \$550,000 in special funds. The projects include modeling by Towson University’s Regional Economic Studies Institute on energy policy options and their impact on energy services (\$100,000); life cycle analysis of primary fuels used for electricity generation in Maryland including the impact of Marcellus Shale extraction on emissions (\$100,000); analysis of marginal emission rates of imported electricity to Maryland (\$100,000); a technical and economic analysis informing a zero waste policy (\$100,000); research on new and existing power plants’ ability to comply with performance standards (\$50,000); documentation and training on EPA’s Emissions Modeling Framework system, which catalogues and records data for air quality and greenhouse gas modeling runs (\$50,000); completion of an inventory of land-based activity emissions at the Port of Baltimore as a result of the widening of the Panama Canal (\$30,000); and integration of current methods with the use of the new motor vehicle emission simulator such that non-road emission inventories may be developed (\$20,000).
- ***Garner/Brandywine Scrap Tire Cleanup:*** – The funding for the Garner/Brandywine scrap tire cleanup managed by the Maryland Environmental Service increases by \$300,000 in special funds from the State Used Tire Clean-up and Recycling Fund in fiscal 2015 to \$750,000 in the Land Management Administration – Waste Diversion and Utilization Program.
- ***Construction Monitoring Activities:*** Overall funding increases by \$300,000 for outsourcing construction monitoring activities of State grant and loan water and wastewater projects. MDE indicates that this increase is reflective of fiscal 2013 actual expenditures. The funding increase is \$100,000 in federal funds and \$200,000 in special funds in Coordinating Offices – Engineering and Capital Projects Program.
- ***Oil Spill Remediation:*** There is a decrease of \$1,125,000 comprised of \$72,500 in federal funds, \$770,000 in special funds, and \$282,500 in general funds in Land Management Administration – Oil Control for oil spill remediation. The special fund decrease is partially explained by the fiscal 2014 supplemental budget increase in general funds due to the failure of SB 875 of 2013 and thus the sunset of the oil transfer fee.
- ***Oil Control Program Related Activities:*** The Oil Control Program received a fiscal 2014 supplemental budget appropriation of \$3,000,000 in general funds after the failure of fee legislation – SB 875 of 2013 (Maryland Oil Disaster Containment, Clean-Up and Contingency Fund, and Oil Contaminated Site Environmental Cleanup Fund). There is a reduction of \$294,000 in special funds, which is equivalent to a reduction of \$294,000 in oil pollution control related activities relative to fiscal 2014.

Routine Operations

- ***Real Estate Taxes for Montgomery Park:*** There is an increase of \$155,606 for real estate taxes for MDE's headquarters at Montgomery Park in Operational Services Direction – Program Direction. MDE's share is 20% of the taxes, which varies from year-to-year based on brownfields and empower zone taxes received by the landlord.
- ***Rent:*** Rent increases by \$152,536 in Operational Services Direction – Program Direction.
- ***Environment Permit Tracking System Modernization:*** There is a decrease of \$500,000 in reimbursable funds for the Environment Permit Tracking System Modernization project – a major IT development project. There is \$450,000 in general funds budgeted in DoIT's fiscal 2015 allowance for the Environment Permit Tracking System Modernization project as well as \$50,000 for oversight. A budget amendment will be processed if funding is approved.
- ***Contractual Positions:*** Contractual full-time equivalent (FTE) costs decrease by \$453,930. This represents a net decrease of 15 FTEs due to an increase of 1 FTE in Coordinating Offices – Legal Services and decreases as follows: 10 FTEs in Land Management Administration – Oil Control; 2 FTEs in Operational Services Administration – Program Direction, 2 FTEs in Water Management Administration – Legal Services, and 2 FTEs in Air and Radiation Management Administration – Air Monitoring. The 1 FTE in Coordinating Offices – Legal Services would assist with administrative cases. MDE indicates that the FTE reductions primarily reflect either contractual conversions or are otherwise related to the new positions in the fiscal 2015 allowance.
- ***Vehicle Fleet:*** The fiscal 2015 allowance reflects a \$379,216 decrease in vehicle fleet expenditures. This appears to be due primarily to fiscal 2014 one-time purchases in Science Services Administration (\$180,220) and Air and Radiation Management Administration (\$121,949).
- ***Statewide Personnel System Allocation:*** The statewide personnel system allocation decreases by a net of \$29,567 due to the contingent reduction of funding in fiscal 2014.

Issues

1. Greenhouse Gases Receive Increased Scrutiny

The Greenhouse Gas Emissions Reduction Act of 2009 required the State to reduce greenhouse gas emissions by 25% from 2006 levels by 2020 and MDE to adopt a final greenhouse gas reduction plan by December 31, 2012. The final plan was required to include adopted regulations that implement all of the plan's measures, such that the greenhouse gas reductions produce economic benefits for the State and do not adversely affect specified communities or economic interests, and a timeline for seeking additional legislative authority. The report was released in October 2013. The guidance provided by this report and the additional revenue provided through the Regional Greenhouse Gas Initiative (RGGI) will help to move Maryland toward the goal of reducing emissions 25% from 2006 levels by 2020.

Climate Change Background

The Intergovernmental Panel on Climate Change adopted an updated report on the physical basis for climate change on September 27, 2013. The following conclusions were noted.

- **Observed Changes in the Climate System** – Climate system warming is unequivocal. Observed changes since the 1950s are unprecedented over decades to millennia. The atmosphere and ocean have warmed, snow and ice amounts have diminished, sea level has risen, and greenhouse gas concentrations have increased.
- **Drivers of Climate Change** – Total radiative forcing (change in the transfer of energy caused by a climate change driver) is positive and has led to the climate system absorbing energy. The increase in the atmospheric concentration of carbon dioxide since 1750 is the largest contribution to total radiative forcing.
- **Understanding the Climate System and Its Recent Changes** – Human influence on the climate system is clear from the increasing greenhouse gas concentrations in the atmosphere, positive radiative forcing, observed warming, and understanding of the climate system.
- **Future Global and Regional Climate Change** – Further warming and changes in all components of the climate system will be caused by continued emissions of greenhouse gases. Substantial and sustained reductions of greenhouse gas emissions will be required to limit climate change.

Maryland's Greenhouse Gas Emissions Reduction Plan

Maryland's greenhouse gas emissions reduction plan uses the global threshold of 445 parts per million for the level of greenhouse gases needed to stabilize the climate. Maryland will be able to build on the successes of the Healthy Air Act, Maryland Clean Cars Act, EmPOWER Maryland, and

the Greenhouse Gas Emissions Reduction Act to reach its goal: based on calendar 2006 emissions of 107.23 million metric tons of carbon dioxide equivalent and 135.68 projected emissions in calendar 2020, Maryland will need to reduce 55.26 million metric tons in order to reach a 25% reduction from 2006 levels of 80.42 million metric tons. The report notes that in addition to the greenhouse gas emission reduction plan, Maryland is also working on State Implementation Plans for the ozone and fine particulate standards, which are expected to be developed in either calendar 2013 or 2014.

The greenhouse gas emissions reduction plan proposed by the Administration reflects both current programmatic results and also enhanced reductions that will be needed to reach the goal of 55.26 million metric tons of carbon dioxide equivalent. **Exhibit 5** shows the greenhouse gas emissions reduction plan reductions by sector as a percent of the enhanced reduction and also shows each sector's percent of the difference between the initial reductions and the enhanced reductions. In both cases, the energy sector has the highest percent of reductions needed followed by the transportation sector. Of note, the zero waste sector reflects 8.7% of the total reduction needed and 12.1% of the enhanced reductions needed above the current programmatic results. MDE is the lead agency for this sector.

Exhibit 5
Greenhouse Gas Emissions Reduction Plan
Needed by Sector and Enhancement Level

<u>Sector</u>	<u>Enhanced Reductions</u>	<u>Difference Enhanced and Initial Reductions</u>
Energy	45.6%	59.7%
Transportation	24.9%	19.8%
Agriculture and Forestry	9.4%	2.9%
Building	5.7%	0.0%
Zero Waste	8.7%	12.1%
Innovative Initiatives	3.6%	1.9%
Land Use	2.1%	3.6%
Outreach	0.1%	0.0%
Total	100.0%	100.0%

Source: Maryland's Greenhouse Gas Reduction Act Plan; Department of Legislative Services

Exhibit 6 shows more detail about the policy/programs in the greenhouse gas emissions reduction plan and lead agency for each sector. As can be seen, the largest reductions are anticipated to come from EmPOWER Maryland, the Maryland Renewable Portfolio Standard, and transportation technologies. As noted above, MDE is the lead agency for the zero waste sector, which comprises recycling such that landfill methane gas emissions are reduced as are emissions associated with fabricating new products from virgin materials.

Exhibit 6
Greenhouse Gas Emissions Reduction Plan
(Million Metric Tons Carbon Dioxide Equivalent)

<u>Sector</u>	<u>Policy (Program)</u>	<u>Lead Agency</u>	<u>Initial Reductions</u>	<u>Enhanced Reductions</u>	<u>Difference</u>
Energy	EmPOWER Maryland	MEA	8.42	10.52	2.10
	Maryland Renewable Portfolio Standard	MEA	6.86	10.96	4.10
	Regional Greenhouse Gas Initiative	MDE	0.00	3.60	3.60
	Other Energy Programs	MDE/DHCD	0.13	0.23	0.10
		Subtotal	15.41	25.31	9.90
Transportation	Transportation Technologies	MDOT/MDE/MEA	8.10	8.61	0.51
	Public Transportation	MDOT	2.00	2.89	0.89
	Pricing Initiatives	MDOT	0.41	2.30	1.89
		Subtotal	10.51	13.80	3.29
Agriculture and Forestry	Forestry and Sequestration	DNR/MDA	4.56	4.56	0.00
	Ecosystem Markets	DNR/MDA	0.20	0.68	0.48
		Subtotal	4.76	5.24	0.48
Building	Building and Trade Codes in Maryland	DHCD	3.15	3.15	0.00
		Subtotal	3.15	3.15	0.00

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<u>Sector</u>	<u>Policy (Program)</u>	<u>Lead Agency</u>	<u>Initial Reductions</u>	<u>Enhanced Reductions</u>	<u>Difference</u>
Zero Waste	Zero Waste	MDE	2.80	4.80	2.00
		Subtotal	2.80	4.80	2.00
	Leadership-by-example	DGS/MDE	1.45	1.77	0.32
Innovative Initiatives	Maryland's Innovative Initiatives	MDE/MDA/MIA	0.21	0.21	0.00
	Future or Developing Programs	MDE/MDOT	0.02	0.02	0.00
		Subtotal	1.68	2.00	0.32
Land Use	Land Use Programs	MDP	0.54	1.14	0.60
		Subtotal	0.54	1.14	0.60
Outreach	Outreach and Public Education	MDE	0.03	0.03	0.00
		Subtotal	0.03	0.03	0.00
Total			38.88	55.47	16.59

DGS: Department of General Services
DHCD: Department of Housing and Community Development
DNR: Department of Natural Resources
MDA: Maryland Department of Agriculture
MDE: Maryland Department of the Environment
MDOT: Maryland Department of Transportation
MEA: Maryland Energy Administration
MIA: Maryland Insurance Administration

Source: Maryland's Greenhouse Gas Reduction Act Plan; Department of Legislative Services

Strategic Energy Investment Fund

MDE's dedicated source of funding for climate change work comes from the Strategic Energy Investment Fund. The Strategic Energy Investment Fund revenue comes from the sale of carbon dioxide allowances as part of Maryland's inclusion in the RGGI. For fiscal 2014, there is anticipated to be additional revenue available to be brought in via budget amendment as a result of the reduction of the overall cap on carbon dioxide allowances from 165 million to 91 million tons, a reduction of 45%, beginning in calendar 2014. The announced change in the overall cap had an immediate impact

on the price of allowances, even though the changes did not go into effect immediately. **Exhibit 7** shows the fiscal 2013-2015 funding from the RGGI revenues that fund MDE's climate change programs.

Exhibit 7
MDE's Portion of Regional Greenhouse Gas Initiative Revenues
Fiscal 2013-2015

	2013 <u>Actual</u>	2014 <u>Appropriation</u>	2015 <u>Allowance</u>
RGGI Inc. Dues	\$403,385	\$450,000	\$450,000
Climate Change	2,320,809	1,507,743	3,000,000
Total	\$2,724,194	\$1,957,743	\$3,450,000

MDE: Maryland Department of the Environment

RGGI: Regional Greenhouse Gas Initiative

Source: Governor's Budget Highlights

DLS recommends that MDE comment on the status of the State Implementation Plans for the ozone and fine particulate standards. DLS also recommends that MDE comment on how fiscal 2015 Strategic Energy Investment Fund monies will be used to help meet the greenhouse gas reduction act plan, including how funding will be used for the zero waste sector.

2. Marcellus Shale Studies and Funding

In June 2011, Governor Martin J. O'Malley signed an executive order establishing the Marcellus Shale Safe Drilling Initiative to assist State policymakers and regulators in determining whether and how gas production from the Marcellus Shale in Maryland can be accomplished without unacceptable risks of adverse impacts to public health, safety, and the environment. Funding for three required studies had been uncertain until the inclusion of fiscal 2013 deficiency funding of \$1.0 million in general funds for MDE and \$0.5 million in general funds for the Department of Natural Resources (DNR). A draft of the second of three required reports has been submitted.

Executive Order Report

The executive order requires three reports as follows: (1) findings and recommendations regarding sources of revenue and standards of liability for damages caused by gas exploration and production (due by December 31, 2011); (2) recommendations for best practices for all aspects of natural gas exploration and production in the Marcellus Shale in Maryland (due by August 1, 2012, but extended until August 2013); and (3) findings and recommendations regarding the potential impact of Marcellus Shale drilling in Maryland (due by August 1, 2014).

MDE entered into a memorandum of understanding with the University of Maryland Center for Environmental Science (UMCES) to research best management practices. Dr. Keith N. Eshleman of the UMCES – Appalachian Laboratory is the principal investigator. The draft second report on best practices, as amended by MDE and DNR, was published in August 2013, per the modified schedule. The report highlights the use of a comprehensive gas drilling plan model whereby a prospective drilling applicant would be required to submit a comprehensive gas drilling plan at the landscape level for all land under consideration over a period of at least the next five years before the issuance of any permit to drill a gas exploration, extension, or production well. The comprehensive gas drilling plan would address the locations of well pads, roads, pipelines, and ancillary facilities related to exploration or production activities from the identified land. The report notes the following possible benefits of requiring a comprehensive gas drilling plan:

- better protection of natural, social, cultural, recreational and other resources, and related cumulative impact;
- fast track wetland and waterway permit approvals for multiple individual impacts, such as those associated with pipeline networks and road construction, contingent on a comprehensive alternatives analysis scenario;
- preliminary approval for drill pad locations, allowing the applicant to initiate baseline monitoring and begin application for individual well permits;
- expedited consideration of other environmental approvals and permits, such as air quality and water appropriation and use;
- opportunities to implement mitigation actions prior to permit approval or in advance of project development;
- reduced need for multiple public hearings;
- reduced expense and risk associated with leveraging existing infrastructure and centralizing various processing needs; and
- reduced public use conflict and improved public good will.

Funding for Reports

MDE indicates that the combination of funding it has received and the work of the staff of State agencies is sufficient to complete the studies required under the executive order. As noted above, MDE received a fiscal 2013 \$1,000,000 general fund deficiency appropriation for stream sampling, economic analysis, a public health study, and salary costs related to the executive order in the Science Services Administration (\$520,000); and for a new air monitoring station in Western Maryland, also related to the executive order, in the Air and Radiation Management Administration

(\$480,000). **Exhibit 8** shows the distribution of the \$1,000,000 general fund deficiency by executive order item and the amounts expended as of October 25, 2013. **DLS recommends that MDE comment on the status of preparations and funding for the third Marcellus Shale study required by the executive order.**

**Exhibit 8
Marcellus Shale Executive Order Funding
Fiscal 2013-2014**

<u>Executive Order Item</u>	<u>Purchase</u>	<u>Vendor</u>	<u>Originally Appropriated or Encumbered</u>	<u>Expended as of October 25, 2013</u>
Greenhouse gas emissions from exploration wells, production wells, and transmission lines; and develop protocols for pre- and post-drilling ambient air monitoring	Air consulting services	SAIC	\$165,726	\$29,002
Additions to Piney Run site for regional ambient air data	Construction of enclosure for air monitoring station	EKTO Manufacturing Co.	44,591	44,591
Additions to Piney Run site for regional ambient air data	Instrumentation for air monitoring station	Wilbur Technical Services	97,687	97,687
Additions to Piney Run site for regional ambient air data	Maintenance agreement for air monitoring station	University of Maryland	26,421	5,284
Additional baseline monitoring of surface water	Baseline water quality monitoring	DNR	190,115	0
Additional baseline monitoring of surface water	Purchases for baseline water quality monitoring (multiprobe)	Hach Co.	9,714	9,714
Any other issues jointly agreed upon by the Secretaries of the departments	DHMH coordination of health study	DHMH – Labs	160,000	0
The projected positive and negative economic impact of hydraulic fracturing activities to the region and the State	Economic study	Towson University	150,000	0

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<u>Executive Order Item</u>	<u>Purchase</u>	<u>Vendor</u>	<u>Originally Appropriated or Encumbered</u>	<u>Expended as of October 25, 2013</u>
	Salary and fringe benefits (Science Services Administration and Air and Radiation Management Administration)		149,700	149,700
Additions to Piney Run site for regional ambient air data	Miscellaneous purchases related to air monitoring stations	Various	6,047	6,047
Total			\$1,000,000	\$342,024

DHMH: Department of Health and Mental Hygiene

DNR: Department of Natural Resources

Source: Maryland Department of the Environment

3. Maryland Oil Disaster Containment, Clean-Up, and Contingency Fund Fee

At the 2013 session, SB 875 (Maryland Oil Disaster Containment, Clean-Up and Contingency Fund, and Oil Contaminated Site Environmental Cleanup Fund) failed. It would have increased the fee assessed on oil transferred into the State. As a result of the bill's failure, the Governor included \$3 million in general funds in Supplemental Budget No. 1 of the fiscal 2014 budget bill. For fiscal 2015, approximately \$3 million in general funds are also included in MDE's operating budget.

MDE notes that the BRFA of 2013 required a workgroup to be convened with stakeholders in 2013 with a report to be submitted by December 31, 2013, on the long-term funding needs of the State's oil pollution program. MDE indicates that there is conceptual agreement among members of the petroleum industry to alter the current oil fee by seeking the introduction of legislation. The conceptual agreement is for the oil transfer fee to be raised to 8 cents per barrel, effective July 1, 2014, for three years. Should introduced legislation to increase the oil transfer fee fail, MDE indicates that it would not be able to defray the need for general funds in the oil pollution control operations since other special funds are fully encumbered, and federal funds are not sustainable. However, as noted above, there is a targeted reversion of \$550,000 in general funds for fiscal 2014. **DLS recommends that MDE comment on the impact on the program of the \$550,000 general fund targeted reversion and the long-term funding needs of the State's oil pollution program noted in the workgroup's report. DLS also recommends that a \$550,000 general fund reduction be adopted for fiscal 2015 commensurate with the fiscal 2014 targeted reversion.**

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce funding for the Oil Control Program commensurate with fiscal 2014 targeted reversion. The Oil Control Program received \$3,000,000 in general funds in fiscal 2014 to backfill the failure of SB 875 of 2013 (Maryland Oil Disaster Containment, Clean-Up and Contingency Fund, and Oil Contaminated Site Environmental Cleanup Fund), which would have increased the oil transfer fee. MDE's fiscal 2015 allowance includes approximately \$3,000,000 in general funds for the Oil Control Program as well. This action reduces \$550,000 in general funds – the same amount included as a targeted reversion of fiscal 2014 funding in the Governor's fiscal 2015 budget plan.	\$ 550,000	GF
Total General Fund Reductions	\$ 550,000	

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2013					
Legislative Appropriation	\$31,584	\$59,129	\$37,077	\$3,689	\$131,480
Deficiency Appropriation	1,000	143	0	0	1,143
Budget Amendments	0	503	1,728	81	2,312
Reversions and Cancellations	-156	-10,320	-5,622	-353	-16,451
Actual Expenditures	\$32,428	\$49,454	\$33,183	\$3,416	\$118,483
Fiscal 2014					
Legislative Appropriation	\$36,936	\$60,597	\$33,729	\$3,247	\$134,510
Budget Amendments	464	554	376	1,250	2,643
Working Appropriation	\$37,400	\$61,151	\$34,105	\$4,497	\$137,153

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2013

MDE's general fund appropriation increased by \$843,832. The changes are as follows:

- **Deficiency Appropriation** – An increase of \$1,000,000 for stream sampling, economic analysis, a public health study, and salary costs related to the Marcellus Shale executive order in the Science Services Administration (\$520,000), and for a new air monitoring station in Western Maryland, also related to the Marcellus Shale executive order, in the Air and Radiation Management Administration (\$480,000).
- **Reversions** – A decrease of \$156,168 in the Operational Services Administration primarily due to State agencies being assessed a fee for development of a new Statewide Personnel System, for which the State spent approximately 48% of its major IT project's appropriated budget, with the remainder reverted to the general fund.

MDE's special fund appropriation decreased by \$9,674,534. The changes are as follows:

- **Deficiency Appropriation** – An increase of \$142,506 from the Maryland Clean Air Fund to replace eight high mileage vehicles in support of field inspections and site visits in the Air and Radiation Management Administration.
- **Budget Amendments** – An increase of \$502,962 for allocating the fiscal 2013 special fund appropriation for the COLA since the General Assembly created a special fund source, the Budget Restoration Fund, during the First Special Session of 2012 in order to fund the general fund share of the COLA (\$369,033), and for replacing vehicles in the Land Management Administration from the State Hazardous Substance Control Fund (\$133,929).
- **Cancellations** – A decrease of \$10,320,002 as a result of cancellations in the Coordinating Offices – Bay Restoration Fund Debt Service due to an unneeded appropriation based on the current revenue bond issuance schedule (\$4,998,296), the Water Management Administration (\$2,155,475), the Land Management Administration (\$917,130), the Air and Radiation Management Administration (\$857,983), the Coordinating Offices – Coordinating Offices (\$758,456), the Office of the Secretary (\$345,675), the Science Services Administration (\$148,954), and the Operational Services Administration (\$138,032).

MDE's federal fund appropriation decreased by \$3,893,843. The changes are as follows.

- **Budget Amendments** – An increase of \$1,727,710 for a grant to Salisbury to fund the replacement of cast iron piping throughout Salisbury's Service Area in order to improve the reliability of the drinking water system (\$485,000), for grants to local governments for stream restoration projects under the Section 319 Nonpoint Source Implementation Grant Program (\$459,000); for contractual services in order to continue the Node 2.1 Project, which will enable programmatic data exchanges between MDE and EPA (\$408,000); for contractual services to meet site infrastructure requirements and for equipment to help meet new federal

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nitrogen dioxide near-road monitoring requirements (\$200,000); and for reallocating the fiscal 2013 special fund appropriation for the COLA (\$175,710).

- **Cancellations** – A decrease of \$5,621,553 primarily as a result of cancellations in the Land Management Administration (\$1,423,913), the Coordinating Offices – Coordinating Offices (\$1,149,152), the Air and Radiation Management Administration (\$1,023,196), the Science Services Administration (\$863,941), the Coordinating Offices – Major IT Development Program due to the appropriation being in excess of the contract requirement for the Water Supply Program Tracking project (\$737,087), and the Water Management Administration (\$387,212).

MDE's reimbursable fund appropriation decreased by \$272,337. The changes are as follows.

- **Budget Amendments** – An increase of \$81,008 due to funding transferred from the Major IT Development Fund for 700 megahertz project implementation in order to enhance the Emergency Response Division's ability to respond to and mitigate hazardous materials spills and oil spills statewide.
- **Cancellations** – A decrease of \$353,345 primarily due to cancellations in the Science Services Administration (\$169,621), the Air and Radiation Management Administration (\$116,203), and the Coordinating Offices – Coordinating Offices (\$27,159).

Fiscal 2014

MDE's general fund appropriation increases by \$463,542 due to budget amendments allocating the COLA effective January 1, 2014 (\$354,451), employee salary increments effective April 1, 2014 (\$87,821), and personnel classifications as part of the Annual Salary Review (\$21,270).

MDE's special fund appropriation increases by \$553,924 due to budget amendments. The budget amendments allocate the COLA (\$360,567), employee salary increments (\$170,123), and personnel classifications as part of the Annual Salary Review (\$23,234).

MDE's federal fund appropriation increases by \$375,793 due to budget amendments. The budget amendments allocate the COLA (\$269,422) and employee salary increments (\$106,371).

MDE's reimbursable fund appropriation increases by \$1,250,000 due to budget amendments as follows: funding transferred from DNR for the Water Management Administration – Wetlands and Waterways Program to enhance staffing levels in order to review, track, and decide on permits for capital projects funded by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund and to strengthen the State's urban nonpoint source water pollution control efforts, including stormwater permit performance tracking and local assistance and outreach (\$750,000); and funding transferred from the Major IT Development Fund for the first step of the Environmental Permit Tracking System Modernization project, which will update how permit data is captured through the use of Dot NET technologies (\$500,000).

**Wastewater Treatment Plant Operation and Maintenance Fund
Fiscal 2013-2015 Est.**

ENR Wastewater Treatment Plant	Facility Owner/ Grant Recipient	Approved Design Capacity (in MGD)	FY 2010 Grant Award	FY 2013 Grant Award	FY 2014 Grant Award	Estimated FY 2015 Grant Award
Aberdeen	City of Aberdeen	4.000				\$120,000
Annapolis	City of Annapolis	13.000				300,000
Bowie	City of Bowie	3.300		\$59,400		99,000
Boonsboro	Town of Boonsboro	0.530		9,540		30,000
Broadneck		6.000				180,000
Broadwater		2.000				60,000
Brunswick	City of Brunswick	1.400	\$8,400	25,200	\$42,000	42,000
Cambridge	City of Cambridge	8.100				243,000
Celanese	Allegany County	2.000	36,000	36,000	60,000	60,000
Chestertown	Town of Chestertown	0.900	9,450	16,200	30,000	30,000
Crisfield	City of Crisfield	1.000		18,000		30,000
Cumberland	City of Cumberland	15.000		198,000	300,000	300,000
Damascus		1.500				45,000
Denton	Town of Denton	0.800			20,000	30,000
Delmar	Town of Delmar	0.850			10,000	30,000
Easton	Easton Utilities	4.000	72,000	72,000	120,000	120,000
Elkton	Town of Elkton	3.050		54,900	91,500	91,500
Federalsburg	Town of Federalsburg	0.750		13,500	30,000	30,000
George Creek	Allegany County	0.600		10,800		30,000
Hagerstown	City of Hagerstown	8.000		144,000	240,000	240,000
Havre de Grace	City of Havre de Grace	2.275		40,950	68,250	68,250
Hurlock	Town of Hurlock	1.650	29,700	29,700	49,500	49,500
Indian Head	Town of Indian Head	0.500		9,000	30,000	30,000
Joppatowne	Town of Joppatowne	0.950				30,000
Kent Island	Queen Anne's County	3.000	54,000	54,000	90,000	90,000
LaPlata	Town of LaPlata	1.500				45,000

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ENR Wastewater Treatment Plant	Facility Owner/ Grant Recipient	Approved Design Capacity (in MGD)	FY 2010 Grant Award	FY 2013 Grant Award	FY 2014 Grant Award	Estimated FY 2015 Grant Award
Little Patuxent	Howard County	25.000			100,000	300,000
Maryland City		2.500				75,000
Mattawoman	Charles County	20.000		216,000	300,000	300,000
Mount Airy	Town of Mount Airy	1.200		21,600		36,000
Parkway		7.500				225,000
Patuxent		7.500				225,000
Perryville	Town of Perryville	1.650		29,700		49,500
Piscataway		30.000				300,000
Pocomoke City	City of Pocomoke City	1.470		8,820	44,100	44,100
Poolesville	Town of Poolesville	0.750		13,500		30,000
Princess Anne		1.260				37,800
Snow Hill		0.500				30,000
Sod Run		20.000				300,000
Talbot Region II	Talbot County	0.660	2,970	11,880	30,000	30,000
Thurmont		1.000				30,000
Western Branch		30.000				300,000
Total			\$212,520	\$1,092,690	\$1,655,350	\$4,735,650

ENR: enhanced nutrient removal

Source: Maryland Department of the Environment

Major Information Technology Projects

Department of the Environment Environmental Permit Tracking System Modernization

Project Status¹	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 MDE’s centralized permit tracking system and ensure that the technologies that support MDE’s mission are cost effective and sustainable.							
Estimated Total Project Cost¹:	n/a			Estimated Planning Project Cost¹:		\$2,340,000		
Project Start Date:	The project is anticipated to begin in February 2013 with the development of the task order request for proposals.			Projected Completion Date:		Permit modernization and eCommerce go live on November 18, 2015.		
Schedule Status:	Planning and requirements analysis are planned to last from February 2013 to April 2014. Design is planned to begin in June 2014 and implementation in November 2015. MDE indicates that it is working with the Regional Economic Studies Institute at Towson University on developing a Consulting and Technical Services master contract task order request for proposals to solicit contractor services to conduct the business requirements analysis of the project and anticipates completing this no later than May 1, 2014.							
Cost Status:	MDE received \$500,000 in a reimbursable fund appropriation in fiscal 2014, and presumably the \$50,000 for oversight remained in the Department of Information Technology’s (DoIT) budget. For fiscal 2015, \$450,000 is budgeted in DoIT’s budget for this project, as well as \$50,000 for oversight. MDE appears to reflect a higher cost estimate (\$3.3 million) than DoIT (\$2.3 million), but this may be due to whether both planning and implementation are being counted (perhaps MDE’s estimate) or just planning funding (perhaps DoIT’s estimate).							
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 2015	FY 2016	FY 2017	FY 2018	FY 2019	Balance to Complete	Total
Personnel Services	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Professional and Outside Services	0.6	0.5	1.3	0.0	0.0	0.0	0.0	2.4
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$0.6	\$0.5	\$1.3	\$0.0	\$0.0	\$0.0	\$0.0	\$2.4

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

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

<u>Object/Fund</u>	<u>FY 13 Actual</u>	<u>FY 14 Working Appropriation</u>	<u>FY 15 Allowance</u>	<u>FY 14 - FY 15 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	929.00	937.00	958.00	21.00	2.2%
02 Contractual	29.00	62.00	47.00	-15.00	-24.2%
Total Positions	958.00	999.00	1,005.00	6.00	0.6%
Objects					
01 Salaries and Wages	\$ 79,166,765	\$ 84,989,707	\$ 86,493,864	\$ 1,504,157	1.8%
02 Technical and Spec. Fees	1,743,024	2,384,985	1,931,055	-453,930	-19.0%
03 Communication	623,500	655,100	713,015	57,915	8.8%
04 Travel	161,980	92,311	76,828	-15,483	-16.8%
06 Fuel and Utilities	452,465	444,247	474,446	30,199	6.8%
07 Motor Vehicles	1,862,403	1,791,739	1,412,523	-379,216	-21.2%
08 Contractual Services	15,107,102	19,436,002	20,014,345	578,343	3.0%
09 Supplies and Materials	1,010,354	1,423,557	1,216,205	-207,352	-14.6%
10 Equipment – Replacement	707,643	1,468,031	1,303,935	-164,096	-11.2%
11 Equipment – Additional	617,135	238,450	145,369	-93,081	-39.0%
12 Grants, Subsidies, and Contributions	8,169,968	10,375,288	13,427,325	3,052,037	29.4%
13 Fixed Charges	4,243,621	4,422,550	4,740,278	317,728	7.2%
14 Land and Structures	4,616,704	9,431,200	9,700,000	268,800	2.9%
Total Objects	\$ 118,482,664	\$ 137,153,167	\$ 141,649,188	\$ 4,496,021	3.3%
Funds					
01 General Fund	\$ 32,428,322	\$ 37,399,516	\$ 36,717,752	-\$ 681,764	-1.8%
03 Special Fund	49,454,424	61,151,386	65,805,954	4,654,568	7.6%
05 Federal Fund	33,183,472	34,105,054	34,818,436	713,382	2.1%
09 Reimbursable Fund	3,416,446	4,497,211	4,307,046	-190,165	-4.2%
Total Funds	\$ 118,482,664	\$ 137,153,167	\$ 141,649,188	\$ 4,496,021	3.3%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

**Fiscal Summary
Department of the Environment**

<u>Program/Unit</u>	<u>FY 13 Actual</u>	<u>FY 14 Wrk Approp</u>	<u>FY 15 Allowance</u>	<u>Change</u>	<u>FY 14 - FY 15 % Change</u>
01 Office of the Secretary	\$ 2,245,737	\$ 2,604,197	\$ 2,396,975	-\$ 207,222	-8.0%
02 Administrative and Employee Services Admin.	8,008,437	8,528,437	8,703,387	174,950	2.1%
04 Water Management Administration	28,231,291	30,987,159	31,822,946	835,787	2.7%
05 Technical and Regulatory Services Administration	13,181,725	12,340,180	12,926,717	586,537	4.8%
06 Land Management Administration	27,209,167	35,914,875	34,366,149	-1,548,726	-4.3%
07 Air and Radiation Management Administration	18,670,195	19,200,869	19,824,975	624,106	3.3%
10 Coordinating Offices	20,936,112	27,577,450	31,608,039	4,030,589	14.6%
Total Expenditures	\$ 118,482,664	\$ 137,153,167	\$ 141,649,188	\$ 4,496,021	3.3%
General Fund	\$ 32,428,322	\$ 37,399,516	\$ 36,717,752	-\$ 681,764	-1.8%
Special Fund	49,454,424	61,151,386	65,805,954	4,654,568	7.6%
Federal Fund	33,183,472	34,105,054	34,818,436	713,382	2.1%
Total Appropriations	\$ 115,066,218	\$ 132,655,956	\$ 137,342,142	\$ 4,686,186	3.5%
Reimbursable Fund	\$ 3,416,446	\$ 4,497,211	\$ 4,307,046	-\$ 190,165	-4.2%
Total Funds	\$ 118,482,664	\$ 137,153,167	\$ 141,649,188	\$ 4,496,021	3.3%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.