

U00A
Department of the Environment

Operating Budget Data

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$36,268	\$33,700	\$34,239	\$539	1.6%
Deficiencies and Reductions	0	-1,255	-1,449	-194	
Adjusted General Fund	\$36,268	\$32,445	\$32,790	\$345	1.1%
Special Fund	48,643	69,870	78,188	8,318	11.9%
Deficiencies and Reductions	0	531	-1,115	-1,645	
Adjusted Special Fund	\$48,643	\$70,401	\$77,074	\$6,673	9.5%
Federal Fund	28,766	35,220	34,744	-476	-1.4%
Deficiencies and Reductions	0	0	-696	-696	
Adjusted Federal Fund	\$28,766	\$35,220	\$34,047	-\$1,172	-3.3%
Reimbursable Fund	3,975	5,215	4,164	-1,052	-20.2%
Adjusted Reimbursable Fund	\$3,975	\$5,215	\$4,164	-\$1,052	-20.2%
Adjusted Grand Total	\$117,653	\$143,281	\$148,075	\$4,794	3.3%

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- The Governor has submitted a deficiency appropriation for the fiscal 2015 operating budget which would reduce the Maryland Department of the Environment's (MDE) Air and Radiation Management Administration's general fund appropriation by \$300,000 and backfill it with \$300,000 in special funds from the Strategic Energy Investment Fund.
- The overall adjusted change in MDE's fiscal 2016 budget is an increase of \$4.8 million, or 3.3%. The single largest change in the budget is a \$4.8 million increase in Bay Restoration Fund revenue bond debt service.

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

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Personnel Data

	<u>FY 14 Actual</u>	<u>FY 15 Working</u>	<u>FY 16 Allowance</u>	<u>FY 15-16 Change</u>
Regular Positions	937.00	955.00	958.00	3.00
Contractual FTEs	<u>25.43</u>	<u>53.00</u>	<u>48.00</u>	<u>-5.00</u>
Total Personnel	962.43	1,008.00	1,006.00	-2.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	62.08	6.50%
Positions and Percentage Vacant as of 1/1/15	94.00	9.84%

- Regular positions increase by 3.0 between the fiscal 2015 working appropriation and the fiscal 2016 allowance. The 3.0 new permit writers will review and issue National Pollutant Discharge Elimination System permits for the implementation of enhanced nutrient removal technology at major-minor wastewater treatment plants.
- Contractual full-time equivalents (FTE) decrease by a net of 5.0. The largest decrease is 5.0 FTEs in Water Management Administration – Water Supply. MDE notes that it has had difficulty retaining contractual FTEs in this program.
- MDE’s turnover rate decreases slightly from 7.06% to 6.50% in the fiscal 2016 allowance. This will necessitate holding 62.08 positions open; MDE has 94.0 positions vacant as of January 1, 2015.

Analysis in Brief

Major Trends

Connection Between Water Management Administration Inspectors and Sediment Inspection Coverage Unclear: There does not appear to be a clear connection between Water Management Administration inspector levels and the percentage of sediment inspection coverage on construction sites.

Customer Service Goal Met by Changing Standard: A permit turnaround goal is being met in fiscal 2014 by lowering the standard for several permits.

Municipal Landfill Compliance Declined Slightly: Municipal landfill compliance with ground water standards declined slightly between fiscal 2013 and 2014.

Issues

Clean Power Rule Costs Mitigated by Regional Greenhouse Gas Initiative Involvement: In June 2013, President Barack H. Obama published the Climate Action Plan. In response to the plan, in June 2014, the U.S. Environmental Protection Agency proposed the “Clean Power Plan.” The plan, which applies to existing power plants, outlines the four “building blocks” (*i.e.*, make fossil fuel power plants more efficient; use lower-emitting power plants more frequently; expand renewable power sources; and use demand-side energy more efficiently) that make up the best system of emission reductions under the Clean Air Act. Maryland anticipates being able to use involvement in the Regional Greenhouse Gas Initiative (RGGI) as the way to comply with the Clean Power Plan. **The Department of Legislative Services (DLS) recommends that MDE comment on the economic benefits of RGGI as they relate to the potential for compliance with the Clean Power Proposed Rule.**

Marcellus Shale Fracking Status: 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 final report has been submitted and concludes that provided all the best practices are followed, and the State is able to rigorously enforce compliance, the risk of Marcellus Shale development can be managed to an acceptable level. **DLS recommends that MDE comment on the types of comments it has received for the Marcellus Shale hydraulic fracturing regulations.**

Required Construction Site Inspections Not Occurring: MDE’s January 2015 audit completed by the Office of Legislative Audits contained two repeat findings – an improvement upon the four repeat findings in November 2011. However, the January 2015 audit contained the repeat finding that there are insufficient resources to inspect every active construction site for compliance with erosion and sediment control plans an average of once every two weeks in accordance with State regulations. **DLS recommends that \$3,179,957 in general fund appropriations be reduced and authorization be**

provided in the Budget Reconciliation and Financing Act of 2015 to allow MDE to use Chesapeake and Atlantic Coastal Bays 2010 Trust Fund money for sediment and erosion control inspections and associated activities.

Recommended Actions

1. Abolish positions with funding equivalent to the 2% across-the-board reduction.
2. Add budget bill language reducing salary funding contingent on authorization of use from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.

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.

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- **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; provides legal advice; and information technology services.

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.

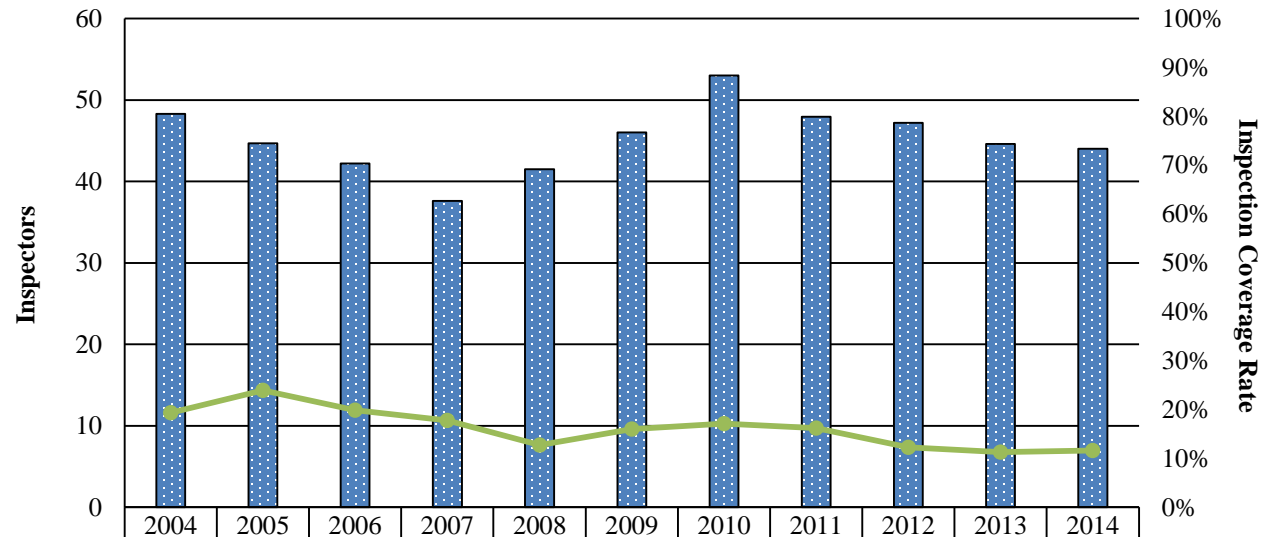
Performance Analysis: Managing for Results

MDE's Managing for Results (MFR) measures show (1) the connection between Water Management Administration inspector levels and sediment inspection coverage is unclear; (2) a permit turnaround goal being met by lowering the standard; and (3) municipal landfill compliance with groundwater standards declining slightly.

1. Connection Between Water Management Administration Inspectors and Sediment Inspection Coverage Unclear

MDE has the goal to improve and protect Maryland's water quality. While not explicitly included as an objective for this goal, MDE reports on inspection activity as part of its Annual Enforcement and Compliance Report. The data for fiscal 2004 through 2014 for inspections of stormwater management and erosion and sediment control for construction activity are reflected in **Exhibit 1**. There does not appear to be a clear connection between the number of Water Management Administration inspectors – the most inclusive population of inspectors that would be expected to address this type of inspection – and the inspection coverage rate – the number of sites inspected divided by the coverage universe. Overall, there appears to be a downward trend in the inspection coverage rate, which MDE has ameliorated partially by focusing more attention on the large sites that can be expected to have a greater potential impact on environmental or public health. **The Department of Legislative Services (DLS) recommends that MDE comment on a reasonable inspection rate against which its activities may be compared.**

**Exhibit 1
Inspectors Track Sediment Inspection Rate
Fiscal 2004-2014**



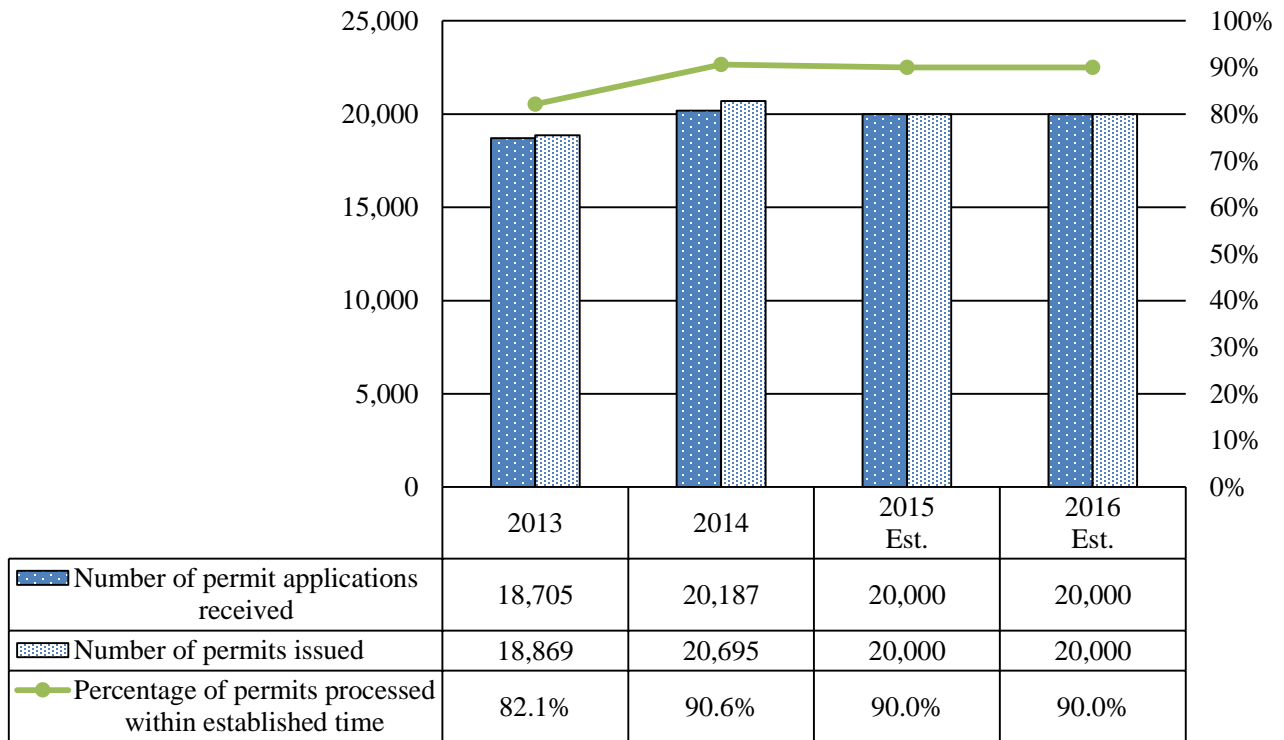
Water Management Administration Inspectors	48.3	44.7	42.2	37.6	41.5	46	53	47.96	47.2	44.6	44
Number of approvals in effect at fiscal year end	21,064	18,414	19,034	18,227	21,307	13,414	12,927	12,936	11,539	13,445	9,751
Number of sites inspected	4,079	4,406	3,782	3,234	2,708	2,150	2,213	2,097	1,412	1,514	1,135
Number of enforcement actions	908	728	534	304	62	40	88	81	136	78	55
Number of significant violations involving environmental or health impact	18	7	14	22	18	70	72	94	100	50	37
Penalties (\$ in Thousands)	\$139.5	\$186.9	\$234.0	\$268.4	\$248.9	\$148.8	\$795.0	\$716.7	\$1,035.2	\$730.7	\$535.9
Inspection coverage rate	19.4%	23.9%	19.9%	17.7%	12.7%	16.0%	17.1%	16.2%	12.2%	11.3%	11.6%

Source: Maryland Department of the Environment, Annual Enforcement and Compliance Report, Fiscal 2004-2014

2. Customer Service Goal Met By Changing Standard

MDE has the goal of customer service and community outreach. One objective for this goal is by fiscal 2016 to meet permit turnaround times for 90% of permits processed. This MFR measure is first included in the Governor’s fiscal 2016 budget books. MDE met its goal in fiscal 2014 after increasing from 82.1% in fiscal 2013 to 90.6% in fiscal 2014, as can be seen in **Exhibit 2**. However, in order to meet this goal, MDE changed/extended the turnaround times for permits that had protracted turnaround times in calendar 2013 due to the high volume of applications and staffing level concerns. The revisions were generally to extend the turnaround time from 30 to 60 days and were applied to the following permits: Controlled Hazardous Substance Hauler and Vehicle Certifications, Special Medical Waste Hauler and Vehicle Certifications, Lead Paint Accreditations, and Lead Paint Instructor Approvals. **DLS recommends that MDE comment on how extending the turnaround time for permits improves customer service.**

Exhibit 2
Permit Applications Received
Fiscal 2013-2016 Est.



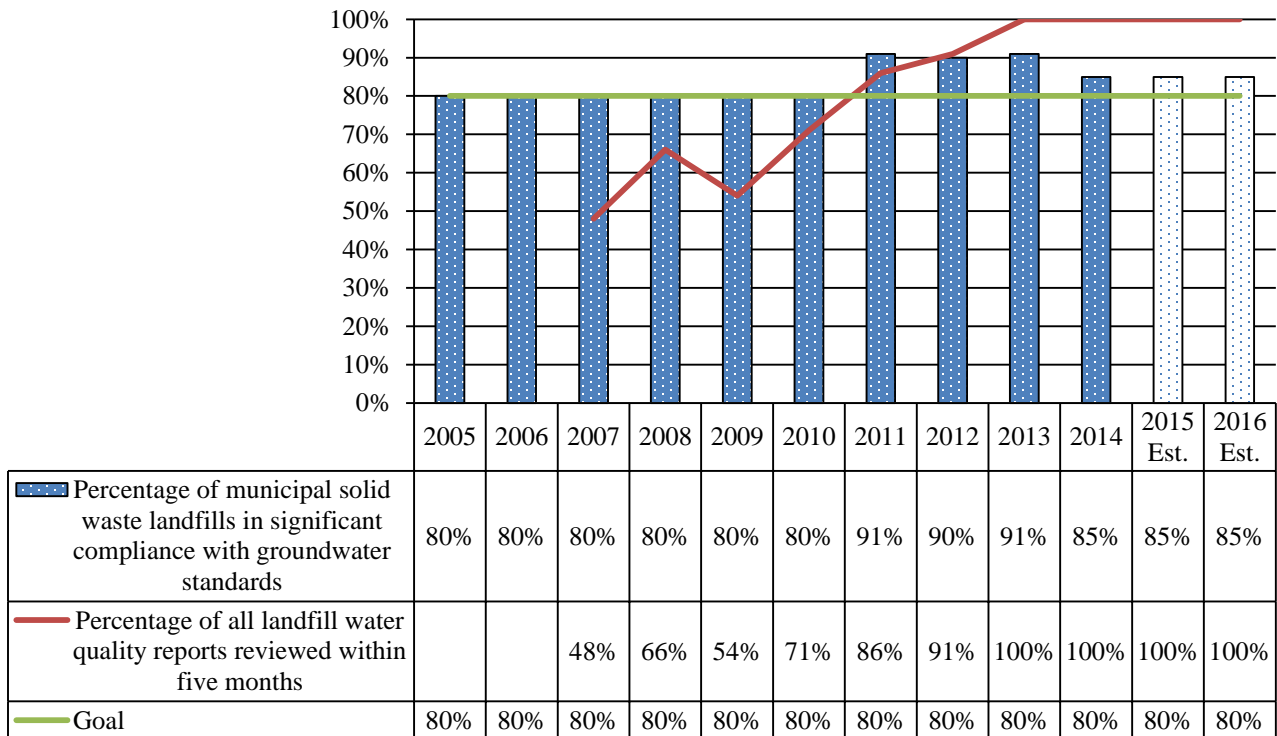
Note: The Maryland Department of the Environment notes that issuing more permits than received is possible due to when applications are received.

Source: Governor’s Budget Books, Fiscal 2016

3. Municipal Landfill Compliance Declined Slightly

MDE has the goal of ensuring safe and adequate drinking water. The associated objective is to maintain 80% in significant compliance with groundwater standards for all active municipal solid waste landfills each year. As shown in **Exhibit 3**, MDE exceeded its objective between fiscal 2011 and 2013 but then saw a decline in the percent in compliance from 91% in fiscal 2013 to 85% in fiscal 2014. MDE notes that the percent in compliance is lower because 3 of the 20 currently active municipal landfills, or 15%, have levels of contaminants in their groundwater wells above standards. In addition, the fiscal 2016 Governor’s budget books indicate that the fiscal 2015 and 2016 estimates for compliance have been reduced due to three additional active municipal landfills that may be added in calendar 2014, which could impact groundwater. Also of note, over the time period shown, there has been a substantial increase in the percentage of all landfill water quality reports reviewed within five months. **DLS recommends that MDE comment on where there is the greatest exposure of groundwater to municipal landfill contamination.**

Exhibit 3
Percentage of Municipal Solid Waste Landfills in Significant Compliance with Groundwater Standards
Fiscal 2005-2016 Est.



Source: Governor’s Budget Books, Fiscal 2008-2016

Fiscal 2015 Actions

A number of actions have been taken on MDE’s fiscal 2015 budget. These actions include July 2, 2014 Board of Public Works (BPW) cost containment actions; January 7, 2015 BPW specific cost containment actions; a 2% across-the-board reduction; and a fiscal 2015 negative deficiency. These actions are reflected in **Exhibit 4** and total to the fiscal 2015 adjusted working appropriation that is used for comparison of the budget in this analysis.

Exhibit 4
Fiscal 2015 Reconciliation to Adjusted Working Appropriation
(\$ in Thousands)

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Legislative Appropriation with Budget Amendments		\$35,719	\$69,870	\$35,220	\$5,215	\$146,024
July BPW	Reduce general funds due to the availability of Maryland Oil Disaster Containment, Clean-up, and Contingency Fund special funds in the Land Management Administration (\$2,000,000 general funds); and reduce funding for equipment to support a new position related to shellfish water quality monitoring in the Science Services Administration (\$19,042 general funds).	-2,019	0	0	0	-2,019
Working Appropriation		\$33,700	\$69,870	\$35,220	\$5,215	\$144,005
January BPW	Reduce general funds for operating expenses (\$230,853 general funds) and substitute special funds (\$230,853 special funds) available in the Oil Control Program, and reduce funding for lease purchase payments to computer upgrades (\$30,147 general funds).	-261	231	0	0	-30
January BPW Across the Board	2% across-the-board reduction.	-694	0	0	0	-694

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<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Deficiency Appropriations	Reduce funding for activities related to the Regional Greenhouse Gas Initiative in the Air and Radiation Management Administration (\$300,000 general funds) and replace it with Strategic Energy Investment Fund special funds (\$300,000 special funds).	-300	300	0	0	0
Total Actions Since January 2015		-\$1,255	\$531	\$0	\$0	-\$724
Adjusted Working Appropriation		\$32,445	\$70,401	\$35,220	\$5,215	\$143,281

BPW: Board of Public Works

Source: Department of Legislative Services

Proposed Deficiency

The Governor has submitted deficiency appropriations for the fiscal 2015 operating budget which would reduce MDE's Air and Radiation Management Administration's general fund appropriation by \$300,000 and backfill it with \$300,000 in special funds from the Strategic Energy Investment Fund (SEIF). The SEIF money comes from the sale of carbon dioxide allowances as part of Maryland's involvement in the nine state Regional Greenhouse Gas Initiative (RGGI).

Proposed Budget

MDE's fiscal 2016 adjusted allowance increases by \$4.8 million, or 3.3%, relative to the fiscal 2015 adjusted working appropriation, as shown in **Exhibit 5**. The changes by fund reflect an increase of \$0.3 million in general funds, an increase of \$6.7 million in special funds, a decrease of \$1.2 million in federal funds, and a decrease of \$1.1 million in reimbursable funds. The single largest change in the budget is an increase of \$4.8 million in special funds for debt service on Bay Restoration Fund revenue bonds. Changes in personnel funding are discussed first and then other changes. Cost containment is included in each section as appropriate.

Exhibit 5
Proposed Budget
Department of the Environment
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2014 Actual	\$36,268	\$48,643	\$28,766	\$3,975	\$117,653
Fiscal 2015 Working Appropriation	32,445	70,401	35,220	5,215	143,281
Fiscal 2016 Allowance	<u>32,790</u>	<u>77,074</u>	<u>34,047</u>	<u>4,164</u>	<u>148,075</u>
Fiscal 2015-2016 Amt. Change	\$345	\$6,673	-\$1,172	-\$1,052	\$4,794
Fiscal 2015-2016 Percent Change	1.1%	9.5%	-3.3%	-20.2%	3.3%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$2,300
Increments and general salary increase annualization (prior to cost containment)	1,861
Employee retirement.....	1,431
Workers' compensation premium assessment	235
Turnover adjustments	210
New positions: 3 permit writers.....	195
Social Security contribution.....	188
Other fringe benefit adjustments.....	104
Section 20: abolition of prior year 2% general salary increase.....	-1,366
Section 21: abolition of employee increments.....	-1,196
Fiscal 2015 adjustments.....	-684

Other Changes

Information Technology

Cloud-based data back-up service	135
Sharepoint Content Management System maintenance and support	169
Lead activities.....	-911
Environmental Permit Tracking System Modernization Project	-908
Geographic components for web services	-465

Remediation and Research

Oil Control Program spill remediation	195
Gas chromatograph for analyzing soil and water samples.....	180
Nontidal wetland in-lieu fee projects.....	-800
Mining projects.....	-529

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Where It Goes:

Routine Operations

Bay Restoration Fund revenue bond debt service.....	4,800
Contractual full-time equivalents.....	200
Montgomery Park rent.....	159
Budget system allocation.....	124
Maryland Center for Environmental Training construction plan review.....	-585
Statewide personnel system allocation	-118
Other	-126
Section 19: difference in 2% across-the-board reduction	-4
Total	\$4,794

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

Personnel

Changes by Category

MDE’s overall personnel expenditures increase by \$3.3 million in the fiscal 2016 adjusted allowance. Of note, this increase includes two across-the-board reductions that reduces MDE’s personnel expenses by a total of \$2.6 million. The personnel changes are as follows.

- **Employee and Retiree Health Insurance:** Health insurance costs increase by \$2,300,260.
- **Increments and General Salary Increase Annualization (Prior to Cost Containment):** Salary expenses increase by \$1,861,487, which includes the annualization of the fiscal 2015 cost-of-living adjustment (COLA) and increments.
- **Employee Retirement:** Retirement contribution increases \$1,430,803.
- **New Positions: 3 Permit Writers:** Funding increases by \$195,432 for 3 new permit writer positions funded by Bay Restoration Fund special funds. MDE notes that these new positions will review and issue National Pollutant Discharge Elimination System permits for the implementation of enhanced nutrient removal technology at major-minor wastewater treatment plants. They are expected to be long-term and are not conversions of contractual full-time equivalents (FTE). The turnover is set at 20.39% for each of the new positions, despite turnover usually being set at 25.0% to reflect the amount of time required to fill a position. Long-term vacancies were not used for these positions but instead are being held for contractual conversions or the priorities of the new Administration.

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- **Section 20: Abolition of Prior Year 2% General Salary Increase:** There is an across-the-board reduction reflected in Section 20 of the budget bill that reduces MDE’s appropriation by a total of \$1,366,000 – \$470,000 in general funds, \$534,000 in special funds, and \$362,000 in federal funds – to reflect the deletion of the fiscal 2015 COLA that was provided on January 1, 2015, and that would have been annualized in fiscal 2016.
- **Section 21: Abolition of Employee Increments:** The fiscal 2016 adjusted allowance includes a provision in Section 21 that eliminates funding for increments in fiscal 2016. In MDE, this is reflected as a reduction of \$1,196,011 – \$281,044 in general funds, \$580,556 in special funds, and \$334,411 in federal funds.

Other Changes

Overall, the nonpersonnel portion of the MDE’s fiscal 2016 adjusted allowance increases by \$1.5 million. The areas of change may be broadly categorized as information technology, remediation and research, and routine operations. The biggest change is an increase of \$4.8 million in special funds for Bay Restoration Fund revenue bond debt service. Larger changes are as follows.

Information Technology

- **Lead Activities:** There is a decrease of \$911,149 for lead activities. This includes a reduction of \$700,000 – \$660,000 in special funds and \$40,000 in federal funds – in the Land Management Administration – Lead Poisoning Prevention, due to one-time funding for the development of a new childhood blood lead level tracking database since the Clarion legacy system is no longer supported. There is also a decrease of \$450,000 in federal funds for the Land Management Administration – Operational Services Program, due to a reduction in information technology services provided, which included Maryland Environmental Service support for the Online Lead Rental Registry system and the enforcement module of the Lead Rental Certification and Accreditation system. These decreases are offset partially by an increase of \$238,851 – increase of \$244,425 in special funds and decrease of \$5,574 in federal funds – in the Land Management Administration – Technical Services and the Operations Program for the Online Lead Rental Registry system contract.
- **Environmental Permit Tracking System Modernization Project:** Funding decreases by \$908,278 in reimbursable funds received from the Department of Information Technology (DoIT) for the Environmental Permit Tracking System Modernization Project. The project entails updating the existing PowerBuilder user interface with one developed by using current Dot Net technologies. There is \$800,000 – \$750,000 for the project and \$50,000 – in DoIT’s budget for this project in fiscal 2016.
- **Geographic Components for Web Services:** The fiscal 2016 allowance includes a reduction of \$465,000 – \$432,000 in federal funds and \$33,000 in general funds – in the Science Services Administration – Environmental Assessment and Standards. This is due to one-time fiscal 2015 funding to establish web services, which allows programs such as the Geographic Information

System (ArcGIS) Desktop and ArcGIS Online to access Ambient Water Quality Monitoring System data directly.

Remediation and Research

- **Nontidal Wetland In-lieu Fee Projects:** There is a decrease of \$800,000 in special funds in the Water Management Administration – Wetlands and Waterways due to a reduction in the number of in-lieu fee program nontidal wetland projects. MDE has a memorandum of understanding with the Chesapeake Bay Trust to develop a request for proposals, and this amount has been reduced in fiscal 2016.
- **Mining Projects:** Mining project funding decreases by \$528,657. This reflects a reduction of \$692,157 in federal funds in the Land Management Administration – Mining primarily due to the completion of the Bald Knob Waterline Project – Phase I project to supply water to residences in Allegany County and a reduction for the Casselman Acid Mine Drainage Systems – Construction Phase III project. This decrease is offset partially by an increase of \$163,500 – \$212,450 federal fund increase and \$48,950 special fund decrease – in the Land Management Administration – Mining. This increase reflects funding for mining projects including the Braddock Run/Hoffman Tunnel Stream Stabilization project in the Clarysville area of Allegany County and the Tasker’s Corner Deep Mine and Gob Pile project.

Routine Operations

- **Bay Restoration Fund Revenue Bond Debt Service:** There is an increase of \$4,800,000 in special funds for the Coordinating Offices based on the new revenue bond issuance schedule including \$4.7 million for debt service associated with revenue bonds issued in fiscal 2008 and \$9.8 million for fiscal 2014 series bonds.
- **Contractual Full-time Equivalents:** Funding increases by \$200,129 for contractual FTEs comprised of increases of \$135,492 in special funds, \$64,037 in federal funds, and \$1,986 in reimbursable funds, which are offset partially by a decrease of \$1,386 in general funds. There is an overall decrease of 5.0 FTEs. This decrease is comprised of the following: 5.0 FTEs in the Water Management Administration – Water Supply, which is commensurate with a \$170,077 decrease in funding, and a decrease of 1.0 FTE in the Coordinating Offices – Information Systems and Technology, which is commensurate with a decrease of \$82,905. These decreases are offset partially by an increase of 1.0 FTE in the Science Services Administration – Environmental Assessment and Standards, which is commensurate with a \$35,254 increase. In addition to the changes noted above, there is an increase of \$417,857 across MDE’s budget for contractual FTEs without any increase in FTE positions. MDE notes that the funding increase despite the lack of any increase in FTE positions is due to positions being added through the hiring exception process without increases in appropriations for fiscal 2015.

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- **Maryland Center for Environmental Training Construction Plan Review:** There is a decrease of \$585,000 in federal funds for the Coordinating Offices – Engineering and Capital Projects Program, due to a one-time enhancement for engineering, training, and technical assistance for review of construction plans provided by the Maryland Center for Environmental Training.
- **Section 19: Difference in 2% Across-the-board Reduction:** MDE’s fiscal 2015 adjusted working appropriation included a 2% reduction of \$693,999 in general funds, which is raised to a \$698,000 reduction in the fiscal 2016 adjusted allowance for an additional decrease of \$4,001. MDE notes that the fiscal 2015 spending reduction plan will most likely include increased turnover for positions.

Issues

1. Clean Power Rule Costs Mitigated By Regional Greenhouse Gas Initiative Involvement

In June 2013, President Barack H. Obama published the Climate Action Plan. The plan, which is designed to reduce the amount of energy consumed by American families, consists of three key pillars: (1) reduce carbon pollution in the United States by utilizing clean energy and deploying strategies that promote fuel economy and energy efficiency; (2) prepare the United States for the impact of climate change by establishing policies that promote and support community-based preparedness, including science and research germane to preparedness and resilience and the protection of critical infrastructure and public resources; and (3) lead international efforts to combat global climate change (while also preparing for its impact) by establishing international initiatives with major emitting countries that are focused on spurring concrete action and forging global responses to climate change via international negotiations.

The Overarching Plan: By 2030, Reduce Nationwide Carbon Emissions from the Power Sector by 30% below 2005 Emission Levels

In response to President Obama’s Climate Action Plan, in June 2014, the U.S. Environmental Protection Agency (EPA) proposed the “Clean Power Plan.” The plan, which applies to existing power plants, outlines the four “building blocks” (*i.e.*, make fossil fuel power plants more efficient; use lower-emitting power plants more frequently; expand renewable power sources; and use demand-side energy more efficiently) that make up the best system of emission reductions under the Clean Air Act. Under the Clean Power Plan, EPA estimates that, by 2030, carbon emissions from the power sector will decline by 30% below 2005 carbon emissions levels.

The Clean Power Plan gives each state a specific target goal to help reduce carbon pollution from the power sector. Although the overall emissions reduction target is relative to 2005 baseline emissions, the carbon pollution standards under the Clean Power Plan are based on each state’s 2012 energy mix, and the ability of each state to reduce carbon emissions below 2012 levels. The state target goal, which reflects the pollution-to-power ratio that a state must meet by 2030, takes into account carbon dioxide emissions from fossil-fuel-fired power plants, state electricity generation from fossil-fuel-fired power plants, and certain low- or zero-emitting power sources. The Clean Power Plan does not impose specific requirements on individual fossil-fuel-fired power plants nor does it outline a specific set of mechanisms that a state must use to reduce carbon pollution. Rather, the plan affords states with the flexibility to lower their pollution-to-power ratio by preparing and implementing state plans that fit their specific circumstances.

If a state fails to submit a plan or if a plan is not approved, it is likely that EPA will develop, implement, and enforce a federal implementation plan to meet the emissions reduction targets. EPA is currently requesting comments on what consequences should apply if a state-approved plan fails to achieve the interim or final goal.

Implementing the Clean Power Plan in Maryland

The Clean Power Plan proposes a final target goal of 1,187 pounds of carbon dioxide per megawatt hour for Maryland. This represents a 36.5% reduction in carbon emissions from 2012 levels, which is in line with the reductions proposed for other states in the region, including Delaware, Pennsylvania, and Virginia. Interim and baseline emission levels are summarized in **Exhibit 6**.

Exhibit 6 Maryland: Proposed Carbon Emission Reductions Emission Rate

	<u>Emission Rate¹</u>	<u>Percent Reduction from Baseline</u>
Baseline (2012)	1,870	n/a
Interim Target (2020-2029)	1,347	28.0%
Final Target (2030)	1,187	36.5%

¹ pounds carbon/dioxide per megawatt hour

Source: U.S. Environmental Protection Agency

Efforts to curb greenhouse gas emissions are already underway in Maryland. In 2007, the State established a Commission on Climate Change, tasked with developing the State's first comprehensive Climate Action Plan. The plan was released in 2008, and it addressed the impacts of climate change through participation in RGGI, increases to the State's renewable energy portfolio, and the adoption of the EmPOWER Maryland initiative. The State has already established a goal of achieving a 25.0% reduction in annual greenhouse gas emissions by 2020, compared with 2006 levels. As of 2013, the State has reduced emissions by 9.7%.

Maryland's current climate change initiatives put the State in a good position to comply with the federal Clean Power Plan once it becomes final. As previously noted, the State already participates in RGGI, a cap-and-trade program established in conjunction with eight other Northeastern and Mid-Atlantic states. Maryland expects to demonstrate compliance with the federal rule through its participation in RGGI – *i.e.*, through the establishment of RGGI's regional emissions cap, which accounts for reductions in emissions due to the State's existing portfolio of energy programs. Whether, and to what extent, the State will need to strengthen any of these programs or deploy additional measures to meet federal emissions targets is undetermined at this time.

Implementation Costs

EPA estimates the total nationwide cost of reporting and recordkeeping requirements under the Clean Power Plan to range from \$68.3 million per year during the early stages of implementation to \$8.9 million per year during the later stages of implementation. However, given that Maryland has already incurred many of these costs through its participation in RGGI, the additional costs to the State

are expected to be low. EPA projects that retail electricity prices may increase anywhere from 3.2% to 8.6% in the Mid-Atlantic region, depending on how states choose to implement the Clean Power Plan. Average electricity bills are expected to decrease by as much as 8.7% by 2030, however, as states adopt measures to promote energy efficiency.

Next Steps: Implementation Timeframe

Comments on the Clean Power Proposed Rule were received by EPA by October 16, 2014. During that time, states had an opportunity to comment on the rule and argue for an adjustment in their proposed targets. Maryland submitted comments to EPA stating that it should consider the RGGI program as a compliance option for participating states and asking it to provide a method to convert RGGI's mass emissions caps (tons) to the Clean Power Proposed Plan's emissions rates (pounds per million British thermal units). EPA is expected to finalize the clean power regulations shortly after July 2015, and the State will have until June 2016 to prepare and submit its implementation plan for EPA review. Once the State has submitted its plan, EPA will review the plan and make an approval determination within 12 months through a notice and comment rulemaking process.

DLS recommends that MDE comment on the economic benefits of RGGI as they relate to the potential for compliance with the Clean Power Proposed Rule.

2. Marcellus Shale Fracking Status

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 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 (submitted December 2011); (2) recommendations for best practices for all aspects of natural gas exploration and production in the Marcellus Shale in Maryland (submitted July 2014); and (3) findings and recommendations regarding the potential impact of Marcellus Shale drilling in Maryland (submitted December 2014).

Final Report

The final report submitted in December 2014 notes that a number of interests need to be weighed in terms of developing the Marcellus Shale in Maryland, including the following: property owner rights to realize the value of mineral rights; positive impacts on the economy; threat to existing tourism and outdoor recreation-based economies; possible climate change impacts; and protection of public health, the environment, and quality of life in Western Maryland. In terms of the economic impact, the report notes that the effect on the economy could be mixed, but that there are certain modeled parameters reflecting the maximum estimated rate of extraction over a 10-year period, which are reflected in **Exhibit 7**.

Exhibit 7
Economic Impact of Marcellus Shale Drilling
10-year Period

<u>Benefit Category</u>	<u>Allegany County</u>	<u>Garrett County</u>	<u>Total</u>
New Jobs	908	2,425	3,333
Tax Revenues	\$1.8 million	\$3.6 million	\$5.4 million
Severance Tax Revenues	\$2.3 million	\$13.5 million	\$15.8 million

Source: Marcellus Shale Safe Drilling Initiative Study: Part III – Final Report Findings and Recommendations

The report concludes that provided all the best practices are followed, and the State is able to rigorously enforce compliance, the risk of Marcellus Shale development can be managed to an acceptable level. One caveat noted is that the conclusion is based on the assumption that the natural gas in the Marcellus Shale in Maryland will be dry, with little or no liquid hydrocarbons. If this condition is not met, then reevaluation of the air pollution impacts will be necessary. The report recommendations are as follows.

- **Confirm Effectiveness of Best Practices** – It is precautionary to monitor in order to find out whether contamination is occurring despite best practices and thus whether additional safeguards are needed.
- **Monitor Air, Groundwater, and Surface Water** – Air monitoring and groundwater monitoring for stray methane or contaminants throughout the life of the well is needed, as is two years of baseline surface and groundwater monitoring before any drilling can occur.
- **Use the Comprehensive Gas Development Plan to Protect the Environment and Public Health** – A comprehensive landscape level permitting approach for each applicant can direct development to areas where harm is less likely.
- **Reduce the Amount of Truck Traffic** – Risks from elevated truck volume should be mitigated by requiring companies to establish centralized fresh water storage facilities for dissemination to well pads by aboveground hoses or pipes.
- **Adopt New Regulations** – Existing oil and gas development regulations in Maryland are outdated and need to be replaced. For instance, existing regulations prohibit the often used process of constructing multiple wells on a single pad. The report notes that it is important to set permit fees at a level that will allow for the proper inspection and enforcement in support of the Comprehensive Gas Development Plan process.
- **Enact Legislation** – Legislation is needed to add administrative and civil penalty provisions to deter violations and to enact a State-level severance tax for regional monitoring and to address global impacts that cannot be isolated to a specific operator.

- **Manage Adaptively** – Maryland must adapt through new regulations or permit provisions to the constantly evolving information space surrounding shale gas development impacts.

Regulations

MDE notes that revisions to oil and regulations, effectively Marcellus Shale drilling regulations, were proposed in the *Maryland Register*. The public comment period began on January 9, 2015, and will end on February 9, 2015. Comments have been received from 17 parties to date. **DLS recommends that MDE comment on the types of comments it has received for the Marcellus Shale hydraulic fracturing regulations.**

3. Required Construction Site Inspections Not Occurring

MDE's January 2015 audit completed by the Office of Legislative Audits contained two repeat findings – an improvement upon the four repeat findings in the November 2011 audit. However, the January 2015 audit contained the repeat finding that there are insufficient resources to inspect every active construction site for compliance with erosion and sediment control plans an average of once every two weeks in accordance with State regulations. In its response to the November 2011 audit finding, MDE noted that it is understaffed by 342 positions just to comply with minimum mandated regulations. In the response to its January 2015 audit, MDE noted that it did not attempt to request additional inspection positions because it did not believe the positions would be approved. In addition, MDE noted that it did not pursue modifying inspection regulations due to anticipated environmental community concerns.

Instead, MDE has gained a little flexibility via Chapter 81 of 2013 (Environment – Sediment Control and Stormwater Management Plans – Authority). This legislation provides MDE with the authority to delegate site inspection and plan approval activities to other agencies and entities. For instance, MDE notes that the agreement with the Maryland Department of Transportation to delegate inspections and plan approval for State Highway Administration and Maryland Transit Administration projects is estimated to address up to 50% of the current State and federal projects in the annual inspection portfolio. However, there still appears to be a sizeable gap between current practice and the requirement to inspect every active construction site for compliance with erosion and sediment control plans an average of once every two weeks. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund is a dedicated source of funding for Chesapeake Bay restoration activities. It has fewer claims on it than the State's general fund and would provide a stable source of funding for compliance with erosion and sediment control plans and related activities completed by MDE's Water Management Administration – Compliance subprogram. **DLS recommends that \$3,179,957 in general fund appropriation be reduced and authorization be provided in the Budget Reconciliation and Financing Act of 2015 to allow MDE to use Chesapeake and Atlantic Coastal Bays 2010 Trust Fund money for sediment and erosion control inspections and associated activities.**

Recommended Actions

1. Add the following language:

Provided that 6 regular positions shall be abolished by July 1, 2015.

Explanation: The Maryland Department of the Environment’s share of the fiscal 2016 2% across-the-board reduction is \$698,000 in general funds. This action abolishes 6 general fund positions in order to create \$660,048 in ongoing general fund savings, which is roughly commensurate with the 2% across-the-board reduction. The estimated savings are based on an average general fund position salary and fringe benefit cost of \$110,008 and 220 funded positions in the fiscal 2016 allowance.

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

, provided that this appropriation shall be reduced by \$3,179,957 contingent upon the enactment of HB 72 or SB 57 containing a provision authorizing the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to be used for salaries associated with the statewide inspection, enforcement, compliance assistance, and permit issuance in the Water Management Administration – Compliance subprogram, including, but not limited, to the following regulatory areas: industrial and municipal wastewater discharges, construction activities involving sediment control, stormwater management, wetlands, and waterways.

Explanation: The Maryland Department of the Environment has been unable to muster sufficient resources to inspect every active construction site for compliance with erosion and sediment control plans an average of once every two weeks in accordance with State regulations. This is reflected in the department’s November 2011 audit and again in its January 2015 audit. This action reduces general funds contingent on authorization of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund special funds for this purpose and related activities. There are fewer claims on the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund than there are on the State’s general fund and thus, there is a higher likelihood that the Maryland Department of the Environment will receive sufficient resources to meet its duty under State regulations.

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 2014					
Legislative Appropriation	\$36,936	\$60,597	\$33,729	\$3,247	\$134,510
Deficiency Appropriation	-904	-725	-463	0	-2,092
Budget Amendments	464	554	376	1,250	2,643
Reversions and Cancellations	-227	-11,783	-4,876	-522	-17,409
Actual Expenditures	\$36,268	\$48,643	\$28,766	\$3,975	\$117,653
Fiscal 2015					
Legislative Appropriation	\$35,484	\$65,178	\$34,396	\$4,307	\$139,364
Cost Containment	-2,019	0	0	0	-2,019
Budget Amendments	235	4,692	824	908	6,660
Working Appropriation	\$33,700	\$69,870	\$35,220	\$5,215	\$144,005

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

Fiscal 2014

MDE's general fund appropriation decreased by \$667,742. The changes are as follows:

- **Deficiency Appropriation** – A decrease of \$903,948 across MDE's budget for negative deficiencies associated with health insurance (\$414,153); retirement (\$367,945); and State personnel system allocation (\$121,850).
- **Budget Amendments** – An increase of \$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).
- **Reversions** – A decrease of \$227,336 primarily due to a reduction of \$216,711 in the Operational Services Administration.

MDE's special fund appropriation decreased by \$11,954,242. The changes are as follows:

- **Deficiency Appropriation** – A decrease of \$724,969 across MDE's budget for negative deficiencies associated with retirement (\$465,189) and health insurance (\$259,780).
- **Budget Amendments** – An increase of \$553,924 due to budget amendments allocating the COLA, effective January 1, 2014 (\$360,567); employee salary increments, effective April 1, 2014 (\$170,123); and personnel classifications as part of the Annual Salary Review (\$23,234).
- **Cancellations** – A decrease of \$11,783,197, as a result of cancellations primarily in the Land Management Administration (\$5,042,074); the Coordinating Offices – Bay Restoration Fund Debt Service, due to an unneeded appropriation based on the current revenue bond issuance schedule (\$4,817,091); the Air and Radiation Management Administration (\$503,809); the Science Services Administration (\$478,490); and the Coordinating Offices – Coordinating Offices (\$450,085).

MDE's federal fund appropriation decreased by \$4,962,785. The changes are as follows.

- **Deficiency Appropriation** – A decrease of \$462,651 across MDE's budget for negative deficiencies associated with retirement (\$309,541) and health insurance (\$153,110).
- **Budget Amendments** – An increase of \$375,793 due to budget amendments allocating the COLA, effective January 1, 2014 (\$269,422); and employee salary increments, effective April 1, 2014 (\$106,371).
- **Cancellations** – A decrease of \$4,875,927, as a result of cancellations primarily in the Land Management Administration (\$2,936,401); the Coordinating Offices – Coordinating Offices

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(\$935,458); the Air and Radiation Management Administration (\$394,475); the Water Management Administration (\$338,459); and the Science Services Administration (\$184,528).

MDE's reimbursable fund appropriation increased by \$727,659. The changes are as follows.

- **Budget Amendments** – An increase of \$1,250,000 due to funding transferred from the Department of Natural Resources for the Water Management Administration – Wetlands and Waterways Program to enhance staffing levels 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. This includes stormwater permit performance tracking and local assistance and outreach (\$750,000); and a transfer from the Major Information Technology Development Project Fund (MITDPF) 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).
- **Cancellations** – A decrease of \$522,341 primarily due to a cancellation in the Coordinating Offices – Major Information Technology Development Projects (\$458,278).

Fiscal 2015

MDE's general fund appropriation decreases by \$1,783,557 as follows.

- **Cost Containment** – A decrease of \$2,019,042 reflected in the July 2, 2014 BPW actions that reduce general funds due to the availability of Maryland Oil Disaster Containment, Clean-Up, and Contingency Fund special funds in the Land Management Administration (\$2,000,000); and reduced funding for equipment to support a new position related to shellfish water quality monitoring in the Science Services Administration (\$19,042).
- **Budget Amendments** – An increase of \$235,485 to allocate the COLA, effective January 1, 2015.

MDE's special fund appropriation increases by \$4,692,367 due to budget amendments. The budget amendments increase funding for replacement of Oil Control Program funding reduced by July 2, 2014 BPW actions from the Oil Disaster Containment, Clean-Up, and Contingency Fund, available as a result of fee increases from Chapter 325 of 2014 (Maryland Oil Disaster Containment, Clean-Up, and Contingency Fund and Oil Contaminated Site Environmental Cleanup Fund) in the Land Management Administration (\$2,000,000); for agreements with local environmental health departments to administer the septic program per Chapter 379 of 2014 (Bay Restoration Fund – Authorized Uses – Local Entities) from the Bay Restoration Fund – Septics Account in the Coordinating Offices (\$1,500,000); for reimbursement of oil contamination costs for heating oil tank owners from the Oil Contaminated Site Environmental Cleanup Fund, also available as a result of Chapter 325 of 2014 in the Land Management Administration (\$825,000), for allocation of the COLA,

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effective January 1, 2015 (\$267,367); and for unanticipated exterminator costs from Special Indirect Cost Recoveries in the Operational Services Administration (\$100,000).

MDE's federal fund appropriation increases by \$823,591 due to budget amendments. The budget amendments establish web services, allowing programs such as the Geographic Information System (ArcGIS) Desktop and ArcGIS Online to access Ambient Water Quality Monitoring System data directly using Environmental Information Exchange Network Grant Program funding in the Science Services Administration (\$442,000); fund equipment, supplies, and related services to establish near-road monitoring sites to measure short-term, near-road nitrogen dioxide (NO₂) concentrations near heavily trafficked roads to assess the impact on vulnerable and susceptible populations using Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act funding in the Air and Radiation Management Administration (\$200,000); and allocate the COLA, effective January 1, 2015 (\$181,591).

MDE's reimbursable fund appropriation increases by \$908,278 due to budget amendments. The budget amendments provide funding transferred from DoIT's MITDPF for the Environmental Permit Tracking System Modernization Project to reflect the unencumbered, unexpended balance of the fiscal 2014 appropriation (\$458,278), and funding transferred from DoIT's MITDPF for the Environmental Permit Tracking System Modernization Project to reflect new fiscal 2015 funding for updating the existing PowerBuilder user interface with one developed using current Dot Net technologies (\$450,000).

**Wastewater Treatment Plant Operation and Maintenance Fund
Fiscal 2010 and 2013-2015**

<u>ENR Wastewater Treatment Plant</u>	<u>Facility Owner/Grant Recipient</u>	<u>County</u>	<u>2010</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Celanese	Allegany County	Allegany	\$36,000	\$36,000	\$60,000	\$60,000
George's Creek	Allegany County	Allegany		10,800		
Cumberland	City of Cumberland	Allegany		198,000	300,000	300,000
Dorsey Run	MES (State)	Anne Arundel				60,000
Federalsburg	Town of Federalsburg	Caroline		13,500	30,000	30,000
Denton	Town of Denton	Caroline			20,000	30,000
Mount Airy	Town of Mount Airy	Carroll		21,600		36,000
Elkton	Town of Elkton	Cecil		54,900	91,500	91,500
Perryville	Town of Perryville	Cecil		29,700		
Mattawoman	Charles County	Charles		216,000	300,000	300,000
Indian Head	Town of Indian Head	Charles		9,000	30,000	30,000
Hurlock	Town of Hurlock	Dorchester	29,700	29,700	49,500	49,500
Cambridge	City of Cambridge	Dorchester				60,750
Brunswick	City of Brunswick	Frederick	8,400	25,200	42,000	42,000
Thurmont	Town of Thurmont	Frederick				30,000
Havre de Grace	City of Havre de Grace	Harford		40,950	68,250	68,250
Joppatowne	Harford County	Harford				17,500
Little Patuxent	Howard County	Howard			100,000	300,000
Chestertown	Town of Chestertown	Kent	9,450	16,200	30,000	30,000
Damascus	WSSC	Montgomery				45,000
Poolesville	Town of Poolesville	Montgomery		13,500		
Bowie	City of Bowie	Prince George's		59,400		
Piscataway	WSSC	Prince George's				300,000
Parkway	WSSC	Prince George's				131,250
Kent Island	Queen Anne's County	Queen Anne's	54,000	54,000	90,000	90,000
Crisfield	City of Crisfield	Somerset		18,000		
Easton	Easton Utilities	Talbot	72,000	72,000	120,000	120,000
Talbot Region II	Talbot County	Talbot	2,970	11,880	30,000	30,000

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<u>ENR Wastewater Treatment Plant</u>	<u>Facility Owner/Grant Recipient</u>	<u>County</u>	<u>2010</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Hagerstown	City of Hagerstown	Washington		144,000	240,000	240,000
Boonsboro	Town of Boonsboro	Washington		9,540		30,000
Delmar	Town of Delmar	Wicomico			10,000	30,000
Pocomoke City	City of Pocomoke City	Worcester		8,820	44,100	
Snow Hill	Town of Snow Hill	Worcester				10,000
Total			\$212,520	\$1,092,690	1,655,350	\$2,561,750

ENR: enhanced nutrient removal
 MES: Maryland Environmental Service
 WSSC: Washington Suburban Sanitary Commission

Source: Maryland Department of the Environment

Audit Findings

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

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

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

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

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

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

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

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

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

Major Information Technology Projects

Department of the Environment Environmental Permit Tracking System Modernization

Project Status	Planning.	New/Ongoing Project:	Ongoing.					
Project Description:	The Environmental Permit Tracking System Modernization project is intended to modernize how the Maryland Department of the Environment (MDE) captures permit data by transferring the existing system from a legacy PowerBuilder user interface to Dot NET technologies. The project will also support the Web Revamp Project by making ePermitting and eCommerce available to citizens and businesses.							
Project Business Goals:	The project will reduce the level of effort required to enter data in MDE's centralized permit tracking system and ensure that the technologies that support MDE's mission are cost effective and sustainable.							
Estimated Total Project Cost:	n/a	Estimated Planning Project Cost:	\$3,340,000					
Project Start Date:	The project began in February 2013 with the development of the task order request for proposals.	Projected Completion Date:	Permit modernization and eCommerce go live on February 18, 2016.					
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. The JMT Technology Group was awarded a contract for the planning phase of the project on September 26, 2014. It looks like the project schedule has slipped about three months given the new project completion date above.							
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. For fiscal 2016, \$750,000 is budgeted in DoIT's budget for this project, as well as \$50,000 for oversight.							
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	0.8	1.5	0.0	0.0	0.0	3.3
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$0.6	\$0.5	\$0.8	\$1.5	\$0.0	\$0.0	\$3.1	\$3.3

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

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	937.00	955.00	958.00	3.00	0.3%
02 Contractual	25.43	53.00	48.00	-5.00	-9.4%
Total Positions	962.43	1,008.00	1,006.00	-2.00	-0.2%
Objects					
01 Salaries and Wages	\$ 79,037,552	\$ 84,893,449	\$ 90,733,508	\$ 5,840,059	6.9%
02 Technical and Spec. Fees	1,453,840	1,931,055	2,131,184	200,129	10.4%
03 Communication	708,957	713,015	728,627	15,612	2.2%
04 Travel	200,193	76,828	70,060	-6,768	-8.8%
06 Fuel and Utilities	557,246	474,446	573,966	99,520	21.0%
07 Motor Vehicles	1,741,429	1,412,523	1,541,218	128,695	9.1%
08 Contractual Services	14,111,261	23,009,623	21,256,062	-1,753,561	-7.6%
09 Supplies and Materials	1,010,092	1,222,405	1,133,678	-88,727	-7.3%
10 Equipment – Replacement	1,114,042	1,303,935	1,507,273	203,338	15.6%
11 Equipment – Additional	142,208	275,127	84,937	-190,190	-69.1%
12 Grants, Subsidies, and Contributions	8,397,450	14,252,325	12,164,963	-2,087,362	-14.6%
13 Fixed Charges	4,564,422	4,740,278	4,909,566	169,288	3.6%
14 Land and Structures	4,614,109	9,700,000	14,500,000	4,800,000	49.5%
Total Objects	\$ 117,652,801	\$ 144,005,009	\$ 151,335,042	\$ 7,330,033	5.1%
Funds					
01 General Fund	\$ 36,268,233	\$ 33,699,997	\$ 34,239,093	\$ 539,096	1.6%
03 Special Fund	48,643,221	69,870,185	78,188,497	8,318,312	11.9%
05 Federal Fund	28,766,477	35,219,503	34,743,807	-475,696	-1.4%
09 Reimbursable Fund	3,974,870	5,215,324	4,163,645	-1,051,679	-20.2%
Total Funds	\$ 117,652,801	\$ 144,005,009	\$ 151,335,042	\$ 7,330,033	5.1%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

**Fiscal Summary
Department of the Environment**

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Wrk Approp</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16 % Change</u>
01 Office of the Secretary	\$ 2,425,708	\$ 2,209,842	\$ 2,541,369	\$ 331,527	15.0%
02 Administrative and Employee Services Admin.	8,343,789	8,763,549	9,135,909	372,360	4.2%
04 Water Management Administration	29,331,915	31,567,722	32,124,711	556,989	1.8%
05 Technical and Regulatory Services Administration	11,554,904	13,266,330	13,394,697	128,367	1.0%
06 Land Management Administration	26,633,713	34,268,147	35,163,299	895,152	2.6%
07 Air and Radiation Management Administration	18,485,766	19,868,018	20,649,218	781,200	3.9%
10 Coordinating Offices	20,877,006	34,061,401	38,325,839	4,264,438	12.5%
Total Expenditures	\$ 117,652,801	\$ 144,005,009	\$ 151,335,042	\$ 7,330,033	5.1%
General Fund	\$ 36,268,233	\$ 33,699,997	\$ 34,239,093	\$ 539,096	1.6%
Special Fund	48,643,221	69,870,185	78,188,497	8,318,312	11.9%
Federal Fund	28,766,477	35,219,503	34,743,807	-475,696	-1.4%
Total Appropriations	\$ 113,677,931	\$ 138,789,685	\$ 147,171,397	\$ 8,381,712	6.0%
Reimbursable Fund	\$ 3,974,870	\$ 5,215,324	\$ 4,163,645	-\$ 1,051,679	-20.2%
Total Funds	\$ 117,652,801	\$ 144,005,009	\$ 151,335,042	\$ 7,330,033	5.1%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.