

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 1173

(Senator Mautz)

Education, Energy, and the Environment

Rules and Executive Nominations

**Bay Restoration Fund - Use of Funds - Municipal Wastewater Facilities - Sunset
Repeal**

This bill repeals the termination date of Chapter 413 of 2020. As a result, the bill makes permanent an authorization to use the Bay Restoration Fund's (BRF) Septics Account for specified costs associated with connecting a property using an on-site sewage disposal system (septic system) to an existing municipal wastewater facility that has signed a funding agreement with the Maryland Department of the Environment (MDE) and is under construction to achieve enhanced nutrient removal (ENR) or biological nutrient removal (BNR) level treatment. Absent the bill, this authorization terminates June 30, 2024. **The bill takes effect June 1, 2024.**

Fiscal Summary

State Effect: Overall finances of the BRF Septics Account are not affected; the bill merely makes permanent an existing authorized use of the account. MDE can continue to implement Chapter 413 with existing resources.

Local Effect: Local grant revenues and expenditures could be affected by the repeal of the termination date of Chapter 413 to the extent that BRF funding is provided to connect more properties to wastewater facilities instead of other authorized uses.

Small Business Effect: Minimal overall, but potential meaningful impact on some small businesses depending on the projects that receive funding under the bill.

Analysis

Current Law:

Bay Restoration Fund

Chapter 428 of 2004 established BRF. The primary purpose of the fund is to support upgrades to Maryland's 67 major publicly owned wastewater treatment plants (WWTPs) with ENR technology; funds are also used for septic system upgrade grants, among other things, and the Cover Crop Program within the Maryland Department of Agriculture (MDA).

As a revenue source for the fund, Chapter 428 established a bay restoration fee on users of wastewater facilities, septic systems, and sewage holding tanks. Chapter 150 of 2012 doubled the fee for most users (until July 1, 2030). Of the fee revenues collected from users of septic systems and sewage holding tanks, 60% must be deposited into a separate account (commonly referred to as the Septics Account) within MDE, and the remaining funds (40%) must be transferred to the Maryland Agricultural Water Quality Cost Share Program within MDA to provide financial assistance to farmers for planting cover crops.

Uses of the Maryland Department of the Environment's Septics Account

The Septics Account within MDE may be used to provide grants or loans for up to 100% of (1) the cost of upgrading septic systems to best available technology (BAT) for nitrogen removal; (2) the cost difference between a conventional septic system and one that uses BAT; (3) the cost of repairing or replacing a failing septic system with one that uses BAT; (4) the cost of replacing multiple septic systems in the same community with a new community sewerage system that meets ENR standards and other specified conditions; or (5) the cost, up to the sum of the costs authorized for each individual BAT septic system, of connecting a property using a septic system to an existing municipal wastewater facility that is achieving ENR or BNR (*or has signed a funding agreement with MDE and is under construction to achieve ENR or BNR*) level treatment, including payment of the principal, but not interest, of debt issued by a local government for such connection costs.

The authorization for the Septics Account to be used to provide grants or loans to connect a property using a septic system to an existing municipal wastewater facility that has signed a funding agreement with MDE and is under construction to achieve ENR or BNR level treatment terminates June 30, 2024, pursuant to uncodified language in Chapter 413, which established the authorization.

The Septics Account may also be used (1) for specified administrative costs for MDE (up to 8% of funds deposited) and for certain local entities (up to 10% of funds deposited);

(2) to provide financial assistance to qualifying low-income homeowners for up to 50% of the cost of an operating and maintenance contract of up to five years for a BAT system; (3) to provide financial assistance (not to exceed 10% of the funds allocated to the local jurisdiction) to eligible homeowners for the reasonable cost of pumping out a septic system under certain circumstances; and (4) in fiscal 2020 and 2021, to provide financial assistance to a local jurisdiction to develop a qualifying septic stewardship plan.

Local Fiscal Effect: MDE notes that there are 25 WWTPs in the State that are in various stages of planning, design, and construction for ENR and BNR upgrades, so there will likely be continued opportunities for Septics Account funding to be used to connect properties to municipal wastewater facilities under the authorization that is made permanent by the bill. These connections will benefit local governments that are working to decrease reliance on septic systems and increase the use of municipal wastewater facilities. Overall, grant revenues (and corresponding expenditures) for local governments may increase for some jurisdictions and decrease for others due to the continuation of the authorization provided under Chapter 413.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1512 (Delegates Adams and Hutchinson) - Environment and Transportation.

Information Source(s): Maryland Environmental Service; Howard and Prince George's counties; Maryland Association of Counties; City of Havre de Grace; Maryland Municipal League; Maryland Department of the Environment; Department of Legislative Services

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