

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 205 (Senator Frosh, et al.)

Economic and Environmental Affairs

Referred to Environmental Matters

Brownfields Revitalization and Voluntary Remediation Programs

This amended bill establishes the Brownfields Revitalization Program and the Voluntary Remediation Program in the Maryland Department of the Environment (MDE). By October 1, 1997, the Department of Business and Economic Development (DBED) and MDE must release a list of no more than 100 eligible sites that qualify for removal or remedial action under the Brownfields Revitalization Program. Criteria for choosing sites include categories such as potential economic development and the threat to public health. The list of sites must be updated annually, and the final list may not contain more than 125 sites during any 12-month period.

The application process for both programs is similar, although the Voluntary Remediation Program can accept applications for non-listed sites. Both programs include a \$10,000 application fee. These fees are to be paid into the Brownfields Revitalization and Voluntary Remediation Fund. MDE must respond within specified time frames to applications and proposed remediation/removal action plans. MDE may consider the future intended use of the site in approving cleanup standards. Once a clean-up has been completed under either program, MDE must certify this action by issuing a "letter of no further action." This letter provides limited immunity from further enforcement actions by the department. The bill expands the list of people not considered a "responsible person."

DBED and MDE must develop a program of financial incentives to assist persons who participate in the Brownfields Revitalization Program. In addition, participants may qualify for local property tax credits.

Fiscal Summary

State Effect: Special fund expenditure increase of \$97,700 in FY 1997 for DBED administrative costs; indeterminate but significant increase in general and special fund expenditures for financing incentives. Indeterminate but significant increase in special fund fee revenues; potential indeterminate increase in tax revenues.

Local Effect: Potential indeterminate effect on revenues. Expenditures would not be affected.

Fiscal Analysis

State Effect:

Fee Revenues

MDE reports that it currently does not know on a county-by-county basis the number of potential sites located around the State. However, assuming that 40 to 100 sites under the Brownfields Revitalization Program and the Voluntary Remediation Program apply, special fund fee revenues would total \$400,000 to \$1 million. These revenues must be used to cover the administrative costs of the program; any excess fees must be refunded to the applicant. If the fees are not sufficient to pay for the costs, then MDE must charge the applicant for the additional amount. The bill allows MDE to keep a portion of the fee to cover administrative costs even if the application is turned down. The amount of fees retained would depend upon the number of applicants that are not accepted and the costs MDE charges but cannot be determined at this time.

MDE Administrative Costs

MDE reports that it would need \$300,500 for the first year of the program (\$412,000 for fiscal 1998) due to the need to hire ten additional personnel, with associated equipment and operating expenditures. However, the Department of Fiscal Services (DFS) advises that this legislation should not necessitate any expenditure increases at MDE. Unrelated to this legislation, MDE's proposed fiscal 1997 budget includes a general fund allowance of \$387,328 for the implementation of a voluntary Brownfields cleanup program (Brownfields Initiative). The proposed budget includes two permanent positions (\$113,238), six contractual positions (\$225,440), and operating costs (\$48,650). The eight positions include three Geologist IIIs and two Public Health Engineers to develop site specific cleanup standards and guidelines for performing site assessments, and to evaluate site cleanup plans; a Toxicologist to develop statewide industrial and residential standards for soil, groundwater, and surface water; an Assistant Attorney General to draft and review proposed program legislation and negotiate consent orders with program participants; and an Office Secretary to provide support services.

While MDE believes that the budgeted Brownfields Initiative is different from the two programs set up by this bill and would require separate funding, DFS advises that the programs could be consolidated. MDE's budget for the Brownfields Initiative assumes that 100 sites will be in the clean-up process during any one year. If the number of sites that are in the Brownfields Revitalization Program and the Voluntary Remediation Program as established in this bill exceeds 100 sites in the out-years, MDE expenditures could increase. DFS further advises that the Brownfields Initiative is currently budgeted using general funds; these general funds could be replaced by special funds as MDE begins to receive fee revenues.

Financial Incentive Programs and DBED Administrative Costs

It is anticipated that the financial incentives required by the bill will be provided from existing programs within the Division of Financing Programs (the Maryland Industrial Land Act and the Maryland Industrial and Commercial Redevelopment Fund). While the amount of incentives to be given under this program is currently unknown, DBED's incentives for a typical financing project range from \$300,000 to \$2,000,000. If any of the incentive packages include loans, DBED will receive loan repayments plus interest.

Administrative expenditures could increase by an estimated \$97,664 in fiscal 1997, which reflects the bill's October 1, 1996 effective date. This estimate reflects the cost of hiring one Administrator II, one Industrial Development Officer, and one Office Secretary to work with MDE in selecting and listing Brownfields sites and develop financial incentives packages. It includes salaries of \$63,690, fringe benefits, one-time start-up costs, equipment purchases, and ongoing operating expenses.

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| Salaries and Fringe Benefits | \$86,089 |
| Computer & Office Equipment | 10,000 |
| Other Operating Expenses | <u>1,575</u> |
| FY 1997 Administrative Expenditures | \$97,664 |

Future year expenditures below reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

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| FY 1998 | \$117,664 |
| FY 1999 | \$122,048 |
| FY 2000 | \$126,602 |
| FY 2001 | \$131,332 |

While DBED reported that they would need \$25,000 annually, and an additional \$25,000 in the first year for contractual services to handle database management, this should not be necessary. Since the listing of Brownfields sites is a shared responsibility with MDE, any computer database management needed can be handled with the additional personnel above.

Economic Development

To the extent that this legislation spurs economic and employment development, State tax revenues would increase.

Local Effect: The legislation allows a county or municipal corporation to provide a property tax credit against the real property on which a Brownfields Response Action Plan has been implemented. The local government may decide the amount and duration of any such tax credit. Local governments in areas that contain listed Brownfields sites would be affected if they use this authority to grant tax credits, depending upon the number, amount, and duration of the credits. To the extent that development activities would occur regardless of the local property tax credit, local governments would lose revenues. However, to the extent that this legislation spurs economic and employment development, tax revenues could increase.

Information Source(s): Maryland Department of the Environment, Department of Business and Economic Development, Department of Assessments and Taxation, Worcester County, Washington County, Department of Fiscal Services

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