

Department of Legislative Services  
 Maryland General Assembly  
 2000 Session

FISCAL NOTE  
 Revised

House Bill 1204 (Delegate Walkup. *et al.*)

Environmental Matters

Referred to Budget and Taxation &  
 Economic and Environmental Affairs

**Dredge Material - Alternative Uses - Fund**

This bill establishes the Dredge Disposal Alternatives Fund and pilot program within the Department of Business and Economic Development (DBED).

The bill is effective July 1, 2000 and sunsets on June 30, 2003.

**Fiscal Summary**

**State Effect:** General fund expenditures could increase by at least \$1 million from an appropriation to capitalize the fund in FY 2002. Transportation Trust Fund (TTF) expenditures would increase by at least \$1.25 million in FY 2002 and FY 2003. General and special fund revenues could increase from interest payments to, and investment earnings of, the fund.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF/SF Revenues	-	-	-	-	-
GF Expenditures	\$0	\$1,000,000	\$0	\$0	\$0
SF Expenditures	0	1,250,000	1,250,000	0	0
Net Effect	\$0	(\$2,250,000)	(\$1,250,000)	\$0	\$0

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** To the extent that the bill spurs employment and economic development, local income tax and property tax revenues could increase.

**Small Business Effect:** Potential meaningful.

**Analysis**

**Bill Summary:** The Dredge Disposal Alternatives Fund is a special, nonlapsing fund to be used to establish a pilot program to encourage the implementation of technologies and the development of end-use markets that help to protect the public health and the environment by using dredge material as a resource and to facilitate the reuse of at least 500,000 cubic yards of dredge material each year through processing and reuse. The fund consists of: (1) State appropriations; (2) federal funds or private contributions; (3) investment income; (4) principal and interest payments; (5) proceeds from the sale, disposition, lease, or rental of collateral; (6) fees; and (7) any other moneys available to the fund.

The bill provides that it is the intent of the General Assembly that the Governor appropriate at least \$1 million in fiscal 2002 to capitalize the fund. The pilot program may make grants or loans to provide financial assistance: (1) for implementing dredge material reuse projects for industrial and commercial purposes; (2) for the development of end-use markets for dredge material; and (3) to defray the costs of dredge material reuse projects. DBED may also use the fund to pay expenses associated with operating the fund.

The Maryland Port Administration (MPA) is responsible for transporting and unloading dredged material and the costs associated with transporting and unloading dredge material for processing at the site of the dredge material reuse project.

An individual or business entity that receives financial assistance from the fund must submit a status report every six months to DBED that details how the funds are being used and the extent to which dredge material has been processed and reused. The Secretary of DBED must submit a report on the pilot program to the General Assembly by December 1, 2002 and by July 1, 2003. The bill is effective July 1, 2000, and sunsets on June 30, 2003. Any money remaining in or owed to the fund as of the sunset date must be paid into the general fund.

**Current Law:** There are no DBED programs or funds that specifically address the reuse of dredge material in an economically beneficial manner.

**Background:** Dredged material is collected as a result of the need to periodically dredge the bottom of the major approach channels to the Port of Baltimore, as well as the port itself, to ensure that these waterways are deep enough to allow ships to enter and exit the port without scraping the bottom. According to the Port Administration, about four to five million cubic yards of material has to be dredged from the Chesapeake Bay annually to maintain shipping channels to Baltimore. Over time, the amount of dredged material is expected to increase to accommodate the increasing size of new ships. Currently, most of the material dredged from the upper bay and Baltimore Harbor is placed at the Hart-Miller-Pleasure Island Dredged Material Containment Facility, located off the coast of Baltimore County.

**State Fiscal Effect:** Despite the bill's effective date, it is assumed that expenditures related to the operation of the fund would not be incurred until the fund is capitalized in fiscal 2002. Special fund expenditures could increase by an estimated \$67,000 in fiscal 2002. This estimate reflects the cost of hiring one contractual relationship manager to oversee the pilot program and fund within DBED. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Salary, benefits, and ongoing expenses are \$63,100 in fiscal 2003. No expenditures extend past the sunset date of the bill.

The bill encourages a general fund appropriation of at least \$1 million in the fiscal 2002 budget to capitalize the fund. Depending on the level of loan and grant activity from the fund in fiscal 2002, an additional general fund appropriation may be required in fiscal 2003. Special fund revenues (or general fund revenues, if occurring after the sunset date) could increase in future years from interest payments to, and investment earnings of, the fund.

Further, new employment and economic development would generate increased tax revenue.

The bill requires the MPA to be responsible for transporting and unloading dredged material and for the costs associated with transporting and unloading dredge material for processing at the site of the dredge material reuse project selected by DBED. It costs approximately \$2.50 per cubic yard to transport the material on water and approximately \$11 per cubic yard to transport it on land. The bill establishes a program goal that at least 500,000 cubic yards of material should be processed and reused each year. Accordingly, the minimum cost to the TTF for the transportation of dredge material for the pilot program would be \$1.25 million each year.

**Small Business Effect:** The program established by the bill aims to create a market for the beneficial reuse of dredge material by providing financial assistance to defray costs of reuse projects. Small businesses could either be direct recipients of financial assistance from the fund or could benefit from the marketable products that are created due to the program.

**Additional Comments:** The MPA has issued a Request for Proposals (RFP) to select one or more qualified firms to provide a complete innovative use system to produce environmentally safe materials or products from dredge material that would be marketed, used, or otherwise disposed of offsite. It is unclear to what extent the bill could work in conjunction with the outcome of the RFP.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Business and Economic Development, Maryland Department of Transportation (Maryland Port Administration), Maryland Department of the Environment, Department of Legislative Services

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