

Department of Legislative Services  
Maryland General Assembly  
2002 Session

FISCAL NOTE  
Revised

House Bill 1051  
Appropriations

(Delegate Conway, *et al.*)

Education, Health, and Environmental Affairs

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Environment - Wastewater Infrastructure Improvement - Study

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This bill requires the Maryland Department of the Environment (MDE) to: (1) in fiscal 2004, conduct a comprehensive inflow and infiltration data study on every wastewater treatment system, which must involve a statewide analysis using readily accessible existing data, determine whether there is an inflow and infiltration problem and, if so, determine the magnitude of the problem; (2) in fiscal 2005, contract with the Maryland Environmental Service (MES) to conduct at least three comprehensive in-depth inflow and infiltration studies at selected systems around the State; and (3) in fiscal 2006, finance a utility rate study for each locality with a wastewater treatment system in Maryland.

The bill takes effect July 1, 2003.

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Fiscal Summary

**State Effect:** The FY 2003 capital budget includes \$1 million in general obligation bonds for MDE to conduct such studies. MDE could handle the studies required by the bill within the budgeted amount.

**Local Effect:** Each local jurisdiction that operates a wastewater treatment plant would have studies performed on its system that could highlight the need for additional improvements and/or changes to its rate structure. To the extent local jurisdictions would have conducted such studies with local resources and/or loans, local expenditures could decrease.

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** MDE is authorized to award grants or loans to any State or local governmental entity responsible by law for the provision of sewerage systems to finance the construction of sewerage systems needed to improve water quality. Projects that are eligible for funding include those providing for chlorine removal, nutrient removal, or wastewater collection or treatment otherwise undertaken to correct existing special water quality needs or an extraordinary public health problem. Grants or loans may be awarded for up to 100% of eligible costs.

The Maryland Water Quality Financing Administration (WQFA) was established by the General Assembly in 1988 to encourage capital investment for wastewater and drinking water projects pursuant to the federal Clean Water Act and the federal Safe Drinking Water Act. WQFA administers two loan funds: (1) the Water Quality Revolving Loan Fund, which was established in 1988 to provide low-interest loans for wastewater projects; and (2) the Drinking Water Revolving Loan Fund, which was established in 1993 to provide low-interest loans for drinking water projects. Both loan funds receive federal funding from the U.S. Environmental Protection Agency (EPA) under the Capitalization Grants for State Revolving Funds federal assistance program.

Inflow and infiltration studies and utility rate studies are eligible for funding under MDE's programs.

**Background:** Overflows from outdated sanitary sewerage systems have discharged millions of gallons of raw sewage into Maryland waters affecting the vitality of the Chesapeake Bay as a whole. In March 2001 Governor Glendening appointed a 21-member task force to address the issues and costs associated with separating and upgrading combined sewerage systems in the State and installing additional nutrient removal technology at wastewater treatment plants.

In its December 2001 report to the Governor and the General Assembly, the Task Force on Upgrading Sewerage Systems identified a total estimated capital need of \$4.3 billion to upgrade sewerage systems including conveyance pipes and pumping stations, correction of combined sewer overflows and sanitary sewer overflows, and upgrades at wastewater treatment plants to maintain compliance, implement biological nutrient removal, and provide capacity for existing and projected growth. Annualized over 20 years, the estimated annual need is \$289 million.

The task force identified existing funding of about \$31 million annually in grants from State and federal agencies, including \$15 million for biological nutrient removal; \$3 million from the State for compliance and special water-quality related projects in lower-income communities; \$1 million from the federal Community Development Block Grant

Program; \$6 million from the U.S. Department of Agriculture's (USDA) Rural Utilities Service; \$1 million from the Appalachian Regional Commission; and \$5 million in special federal appropriations. Low-interest loans are also available to local governments on an annual basis, including \$60 million from the Maryland Water Quality Revolving Loan Fund and \$6 million from the USDA Rural Utilities Service. The task force also noted that local jurisdictions are assumed to be spending approximately \$130 million annually, which consists of both subsidized and unsubsidized borrowing.

Based on the estimated annual need and existing spending levels, the task force identified the need for an additional \$80 million to \$140 million annually for upgrading sewerage systems. The task force made several recommendations relating to innovative financing options, increased use of subsidized funding through the revolving loan fund, an increase in State matching funds, and a refinement in the targeting of funds.

Under existing authority, MDE administers two grant programs (the Supplemental Assistance Program and the Biological Nutrient Removal Program) and one loan program (the Water Quality Revolving Loan Fund) that provide funding to local governments for improvements to wastewater collection and treatment systems. The goal of these programs is to assist local governments in the correction of public health and water quality problems associated with wastewater treatment plants. The Governor's proposed fiscal 2003 capital budget includes approximately \$4.77 million in general obligation bonds for the Supplemental Assistance Program and approximately \$19.6 million in general obligation bonds for the Biological Nutrient Removal Program.

**State Fiscal Effect:** MDE advises that general fund expenditures would increase by \$120,000 in fiscal 2004 for contractual services to conduct the inflow and infiltration (I&I) studies, by \$525,000 in fiscal 2005 to conduct the comprehensive in-depth I&I studies, and by \$800,000 in fiscal 2006 to conduct the utility rate studies required by the bill. These estimates assume that MDE will hire contractual services to:

- in fiscal 2004, conduct an I&I study for each of the 160 publicly-owned wastewater treatment systems, at an average cost of \$750 per system;
- in fiscal 2005, conduct an in-depth I&I study of three wastewater treatment systems, at an average cost of \$175,000 per system; and
- in fiscal 2006, conduct a utility rate study for each of the 160 publicly-owned wastewater treatment systems, at an average cost of \$5,000 per system.

The fiscal 2003 capital budget includes \$1 million in general obligation bonds for MDE to conduct these types of studies. Specifically, the budgeted amount is restricted to expenditures for MDE to: (1) contract with MES to conduct a comprehensive I&I study on every wastewater treatment system with an average wastewater discharge of under 12

million gallons per day (gpd); (2) contract with MES to conduct between three and six comprehensive in-depth I&I studies at selected systems; and (3) contract with a qualified third party to conduct a utility rate study for each locality with a wastewater treatment system in Maryland with an average wastewater discharge of under 12 million gpd. Accordingly, Legislative Services advises that MDE should be able to meet the bill's requirements with existing budgeted resources.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 643 (Senators Baker and Middleton) – Education, Health, and Environmental Affairs.

**Information Source(s):** Maryland Department of the Environment; University of Maryland (Environmental Finance Center); Forum for Rural Maryland; Maryland Environmental Service; Carroll, Cecil, Harford, and Prince George's counties; Washington Suburban Sanitary Commission; Department of Legislative Services

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