

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 1176

(Delegate Walkup, *et al.*)

Environmental Matters

**Dredge Deposits - Creation of Artificial Islands in the Chesapeake Bay -
Prohibited Use as Part of Management Plan**

This bill provides that the deposit of dredged material to create “artificial islands” in the Chesapeake Bay may not be part of any plan or program for the management of dredged material or for the protection or development of the Chesapeake Bay.

The bill takes effect June 1, 2002.

Fiscal Summary

State Effect: In the short term, the bill would not materially affect State operations or finances. In the long term, the bill could result in a significant increase in Transportation Trust Fund (TTF) expenditures related to the placement of dredged material. The bill could also result in a decrease in the federal share of costs for the transportation and/or placement of dredged material.

Local Effect: Minimal.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: “Artificial island” means any new island created or formed by the mechanical dumping or depositing of dredge material in the Chesapeake Bay.

Current Law: Current law limits the placement of dredged material to one open water site and containment facilities permitted by the Maryland Department of the Environment.

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 without scraping the bottom. According to the Maryland Port Administration (MPA), about 4.0 million cubic yards (mcy) 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.

According to MPA, the total amount of dredged material that will need to be disposed of from fiscal 2002 to fiscal 2011 is approximately 63.5 mcy; through fiscal 2021, the total is estimated at 103.5 mcy. Current placement capacity at existing sites is estimated at approximately 57.1 mcy. In fiscal 2003, MPA expects to dredge 4.0 mcy in order to maintain the current depths of channels and berths. An additional 7.8 mcy will be dredged to deepen or widen channels beyond their current depths, deepen berths, or improve navigational accessibility and safety. The fiscal 2003 allowance provides \$23.2 million in special funds for dredge material placement and monitoring.

The *Governor's Strategic Plan for Dredged Material Management* (August 1996) guides MPA in decisions regarding the cost-effective management of dredged material. The budget committees requested that MPA update its plan in fiscal 2001 in light of changing placement demands of new capital projects and the availability of placement sites. In December 2001 MPA issued an interim report to the General Assembly discussing MPA's progress on the implementation of the Dredged Material Management Act, (Chapter 627 of 2001), which prohibited the use of open-water placement and established an Executive Committee to provide oversight in the development of plans for dredged material management. MPA presently is in the process of updating the strategic plan to reflect Chapter 627 and other changes to its program.

Near-term placement sites, which require a five- to ten-year development time frame, under consideration include:

- modification to Poplar Island;
- beneficial use studies for Parsons Island and Lower Eastern Neck Island;
- innovative use studies for Furnace Bay in Cecil County;
- mines, quarries, and agriculture; and

- ocean placement;

Long-term placement options, which would be operational sites after more than 12 years of development, include James Island; Hawkins Point, Dead Ship Anchorage, and Sollers Point, all of which are in Baltimore's Inner Harbor; Barren Island; Holland Island; and Upper Bay Islands. MPA advises that it is considering the possibility of accelerating one of the long-term placement options, such as James Island, in order to accommodate the capacity deficit expected to occur in fiscal 2009.

Island rehabilitation will allow MPA to place approximately 59 mcy (93%) of dredged material during fiscal 2002 through 2011.

The Executive Committee must submit a report to the General Assembly by December 31, 2002 on recommendations for a strategic long-term dredged material management plan for the State. MPA advises that the committee is currently in the process of selecting a small number of new options from a list of 27 sites for the disposal of dredged material. According to MPA, many of the sites under consideration involve the creation of artificial islands from dredged material.

State Fiscal Effect: MPA advises that this bill would limit the future placement options for dredged material and prohibit about 15-16 of the sites currently under consideration. According to MPA, the average cost of the current mix of options, including artificial island sites, is approximately \$14 per cubic yard. Because the Executive Committee has not yet made recommendations concerning the long-term plan for the placement of dredged material in the State, the actual increase in costs associated with the bill's prohibition cannot be reliably estimated at this time. However, MPA advises that the average cost of remaining options, if artificial islands are excluded, is approximately \$25 per cubic yard. Accordingly, the bill could result in an increase in overall placement costs by about \$11 per cubic yard. Based on the annual cost of maintaining the approach channels (not including any additional dredging projects), an increase in \$11 per cubic yard translates to an increase in costs of about \$44 million annually for the placement of dredged material.

MPA also advises that the bill could result in a loss of federal funds. While the federal government provides funds for the transportation and/or placement of dredged material, it is not required to accept State law in determining the base costs it uses to calculate the federal share of such costs. Accordingly, to the extent that the bill results in the use of an alternative placement site that is more costly than the base site used by the federal government, the federal cost share may be reduced.

Small Business Effect: If dredged material disposal sites are not identified and brought online within the next several years, dredging in the bay could be limited as there will be fewer sites on which to redeposit the spoil. This could result in the loss of cargo ships that can enter Baltimore Harbor. To the extent that this happens, any small business relying on the port for economic activity will be impacted.

Additional Information

Prior Introductions: Several bills relating to the deposit of dredged material were introduced during the 1999, 2000, and 2001 sessions. However, none of them specifically prohibited the use of dredged material for the creation of artificial islands.

Cross File: None.

Information Source(s): Maryland Department of Transportation (Maryland Port Administration), Maryland Department of the Environment, Department of Natural Resources, Department of Legislative Services

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