

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 420 (Senator Pipkin)
Education, Health, and Environmental Affairs

**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.

Artificial island means any new island created or formed by the mechanical dumping or depositing of dredge material in the Chesapeake Bay. The bill does not prohibit or restrict the deposit of dredged material to restore or repair a “historical natural island,” defined as a geological footprint of an island that once existed in the waters of the Chesapeake Bay and has been severely damaged or diminished due to extensive erosion.

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 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: The bill would not directly affect local operations or finances.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The placement of dredged material is limited 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 for ships. 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. Additional dredged material is anticipated from improvement projects. According to MPA, the total amount of dredged material that will need to be disposed of over the next 20 or more years is approximately 107 mcy. Current placement capacity at existing sites is estimated at approximately 51 mcy. The Governor's proposed fiscal 2004 budget includes \$20.7 million in special funds for dredged material placement and monitoring and \$7.6 million for dredged material disposal and management.

The Dredged Material Management Act of 2001 (Chapter 627) established an executive committee responsible for reviewing and recommending options for meeting both short- and long-term placement capacity needs. Pursuant to Chapter 627, the committee submitted a report to the General Assembly in December 2002 on the progress made in identifying placement options. The report lists a total of 27 placement options, 12 of which have been designated for advanced study. Site-specific recommendations are expected by the end of calendar 2003. According to MPA, 8 of the 27 options listed in the executive committee's report would be considered artificial island sites under the bill.

State Expenditures: 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. Legislative Services advises that none of the eight options that would be prohibited by the bill have been designated for advanced study but may be considered for selection at a later date. Accordingly, while the bill would not have an immediate impact on the dredging program, it would prohibit MPA from considering the use of artificial island sites in the future.

The average cost of the current mix of options, including artificial island sites, is approximately \$14 per cubic yard. MPA advises that the average cost of remaining options, if artificial islands are excluded, is approximately \$19 per cubic yard. The bill could thus result in a \$5 per cubic yard increase in overall placement costs. Based on the annual cost of maintaining the approach channels (not including any additional dredging projects), an increase in \$5 per cubic yard translates to an increase in costs of about \$20 million annually for the placement of dredged material.

Federal funds could also be affected. 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 dredged material. This could result in the loss of cargo ships that can enter Baltimore Harbor. If this happens, any small business relying on the port for economic activity will be impacted.

Additional Information

Prior Introductions: A similar bill was introduced as HB 1176 of 2002. It received an unfavorable report from the House Environmental Matters Committee.

Cross File: HB 689 (Delegate Walkup, *et al.*) – Environmental Matters.

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

Fiscal Note History: First Reader - February 27, 2003
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