

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 96 (Senator Dyson)
 Education, Health, and Environmental Affairs

Environment - Bay Restoration Fee - Nonpublic Schools

This bill exempts nonpublic schools from the bay restoration fee established by Chapter 428 of 2004.

Fiscal Summary

State Effect: Special fund revenues from the bay restoration fee would decrease by an estimated \$438,100 in FY 2006 and \$584,100 annually thereafter. Expenditures would not be materially affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	(\$438,100)	(\$584,100)	(\$584,100)	(\$584,100)	(\$584,100)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$438,100)	(\$584,100)	(\$584,100)	(\$584,100)	(\$584,100)

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

Local Effect: Potential minimal increase in expenditures in FY 2006 to modify billing systems. Billing authorities (including nonlocal entities) would no longer be required to collect the fee from nonpublic schools, and would, therefore, not retain 5% of such collections (estimated at \$23,100 in FY 2006 and \$30,700 annually thereafter).

Small Business Effect: Minimal.

Analysis

Current Law/Background: Chapter 428 of 2004 established the Bay Restoration Fund to be administered by the Maryland Water Quality Financing Administration within the

Maryland Department of the Environment (MDE). The main goal of the fund is to provide grants to owners of wastewater treatment plants (WWTPs) to reduce nutrient pollution to the Chesapeake Bay. As a revenue source for the fund, Chapter 428 established a bay restoration fee on users of wastewater facilities, septic systems, and sewage holding tanks.

The fee is \$2.50 per month (\$30 annually), for each residential dwelling that receives an individual sewer bill and for each user of a septic system or sewage holding tank that receives a water bill. For a building or group of buildings under single ownership or management that contain multiple residential dwellings that do not receive an individual sewer bill, or for a nonresidential user, Chapter 428 established a sliding fee scale based on the volume of wastewater generated. The fee is \$2.50 per month (\$30 annually) for each “equivalent dwelling unit” (EDU), generally 250 gallons of wastewater effluent generated daily, up to 3,000 EDUs, and \$1.25 per month (\$15 annually) for each EDU exceeding that threshold and up to 5,000 EDUs. Based on that “cap,” the maximum fee for such users is \$120,000 annually. In addition, the maximum fee for a single site (regardless of the number of users) is \$120,000. The fees described above, which are collected through water and sewer bills, took effect January 1, 2005. The fee for each user of a septic system or a sewage holding tank that does not receive a water bill is \$30 per year, effective October 1, 2005.

Certain users, including local governments, school boards, and community colleges, are exempt from the fee. State colleges and universities are subject to the fee.

Once the fee provisions are fully implemented, gross fee collections will total an estimated \$74 million annually (\$62 million from WWTP users and \$12 million from users of septic systems and sewage holding tanks). After a deduction by billing authorities for administrative costs, fee revenue from WWTP users will support the issuance of bonds to provide the additional revenue needed to provide grants to WWTP owners for the upgrades. Other allowable uses of the revenue collected from WWTP users include grants for sewer infrastructure projects, grants to offset a portion of operation and maintenance costs associated with enhanced nutrient removal technology, and administrative expenses. Of the revenue collected from users of septic systems and sewage holding tanks, 60% must be deposited into a separate account within the fund to provide grants and loans to septic system owners for upgrades to those systems, while 40% must be transferred to the Maryland Agricultural Water Quality Cost Share Program within the Maryland Department of Agriculture (MDA) to provide financial assistance to farmers for cover crops.

State Revenues: Under current law, net fee revenue to the Bay Restoration Fund from WWTP users is estimated at approximately \$58.9 million annually. Under the bill, net

fee revenue would decrease by an estimated \$438,070 in fiscal 2006 (which reflects the bill's October 1, 2005 effective date) and \$584,093 annually thereafter (or approximately 1% of estimated revenues). These estimates are net of the 5% that local governments and billing authorities are authorized to retain to offset administrative costs. (The decrease in gross fee collections would total an estimated \$614,835 annually). The estimates are based on the following information and assumptions:

- the bill does not apply to private colleges or institutions beyond grade 12 (although the bill does not specifically define nonpublic school);
- all nonpublic schools are assumed to have WWTP service;
- enrollment at nonpublic schools totals 187,407 (based on 2003 data from the Maryland State Department of Education);
- the teaching staff at nonpublic schools totals 11,713 (one teacher for every 16 students, based on 2001 data from the National Center for Education Statistics);
- the support staff at nonpublic schools averages five individuals for each of the 1,165 nonpublic schools in the State;
- each person generates 25 gallons per day of wastewater flow (based on MDE's water and sewer design guidelines);
- one EDU equals 250 gallons per day; and
- the applicable bay restoration fee is \$30 per EDU per year (no individual school generates enough wastewater to trigger the fee's sliding scale).

MDE currently plans to issue approximately \$510 million in bonds from fiscal 2008 through 2011 in order to finance the WWTP upgrades. By reducing net fee revenue to the Bay Restoration Fund, this bill could reduce the amount of bonds MDE will be able to issue by approximately \$6 million (based on an interest rate of 5% over 15 years), which represents just over 1% of anticipated bond issuances.

Legislative Services notes that the decrease in fee revenues could be less to the extent any nonpublic schools are on septic systems or sewage holding tanks (the fee assessed those entities is based on the number of users as opposed to the volume of wastewater). In addition, because a portion of the fee revenues from users of septic systems and sewage holding tanks is transferred to MDA, any revenue decrease from such users would result in a decrease in special fund revenues to MDA.

Local Fiscal Effect: Billing authorities (including nonlocal entities) would no longer collect the bay restoration fee from nonpublic schools, and would, therefore, no longer retain 5% of such collections (estimated at \$23,056 in fiscal 2006 and \$30,742 annually thereafter) to offset administrative costs. Local governments would likely incur some

administrative costs in fiscal 2006 in order to modify their billing systems to reflect the exemption; however, any such costs are not anticipated to be significant.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of the Environment, Maryland State Department of Education, Maryland Catholic Conference, Department of Legislative Services

Fiscal Note History: First Reader - January 28, 2005
ncs/ljm Revised - Clarification - January 31, 2005

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