

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 997 (Delegate Sossi, *et al.*)
Environmental Matters

Environment - Bay Restoration Fund - Authorized Uses of Fund

This bill expands the allowable uses of the Septics Account within the Bay Restoration Fund to include the cost of connecting a residential dwelling that uses an onsite sewage disposal system or holding tank to a sewerage system.

Fiscal Summary

State Effect: Overall finances of the Bay Restoration Fund would not be affected.

Local Effect: Local grant revenues and expenditures for connecting households to public sewers could increase. However, given the total budget of the Septics Account, the expense associated with sewer connections, and the fact that the account may be used for other purposes, it is not anticipated that a significant amount of funds would be provided for the purpose authorized by the bill.

Small Business Effect: Potential minimal. To the extent grants are provided for this purpose, contractors hired by local jurisdictions to connect houses to sewer lines could benefit. Developers could also benefit to the extent additional sewer hook-ups enable them to build additional houses.

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 for users of WWTPs, 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 are exempt from the fees.

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 for the costs attributable to upgrading a septic system to the best available technology (BAT) for the removal of nitrogen, or for the cost difference between a conventional system and a system that uses BAT; these funds also would be used to cover certain administrative costs within MDE. The remaining 40% must be transferred to the Maryland Agricultural Water Quality Cost Share Program within the Maryland Department of Agriculture to provide financial assistance to farmers for cover crops.

Based on information provided by the Maryland Department of Planning, there are an estimated 421,066 septic systems and sewage holding tanks in the State.

State Fiscal Effect: Based on the estimated revenues to the Septics Account, once the fee provisions are fully implemented, MDE could provide an estimated \$6.3 million annually in grants and loans to septic system owners under current law. The bill would not affect the total finances of the fund. Rather, it would simply provide for another possible use of the Septics Account.

Legislative Services notes that, to the extent residential septic system owners are connected to sewerage systems as a result of the bill, revenue to the Septics Account would decrease, while revenue to the WWTP account would increase correspondingly. However, any such impacts are not expected to be significant.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mam/ljm

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