

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 558

(Delegate Glassman, *et al.*)

Environmental Matters

Education, Health, and Environmental Affairs

Bay Restoration Fund - Failing Onsite Sewage Disposal Systems - Eligibility for Funds

This bill expands the allowable uses of the Septics Account within the Bay Restoration Fund within the Maryland Department of the Environment (MDE) to include the cost of repairing or replacing a failing onsite sewage disposal (septic) system with a system that uses the best available technology for nitrogen removal or another wastewater treatment system. The bill also establishes new provisions governing priority for grants and loans from that account.

Fiscal Summary

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

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

Small Business Effect: Potential minimal.

Analysis

Bill Summary: Failing septic systems and sewage holding tanks in the Chesapeake and Atlantic Coastal Bays Critical Area would still have first priority. Failing systems that MDE determines are a threat to public health or water quality would have secondary priority. The bill also establishes additional provisions regarding priority for funding based on income levels and types of eligible costs. First priority would be given to owners of all levels of income for costs attributable to upgrading a septic system to the best available technology (BAT) for nitrogen removal or the cost difference between a

conventional septic system and a system that uses BAT for nitrogen removal. Secondary priority would be given to low-income owners, as defined by MDE, first, for costs to repair or replace a failing septic system with a system that uses BAT for nitrogen removal and, second, for other wastewater treatment systems.

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

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 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. Priority must be given to failing septic systems and holding tanks within the Chesapeake and Atlantic Coastal Bays Critical Area. 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 approximately 420,000 septic systems and sewage holding tanks in the State.

State Fiscal Effect: The fiscal 2007 capital budget for MDE includes \$500,000 in grants and loans for septic system upgrades. Beginning in fiscal 2008, an estimated \$6 million annually in funding will be available for such grants and loans. The bill would not affect the total finances of the fund. Rather, it would provide for another possible use of the Septics Account and establish a more elaborate priority system that MDE must follow when providing grants and loans.

Additional Information

Prior Introductions: Similar legislation was introduced as HB 1003 of 2005. The bill received an unfavorable report from the Environmental Matters Committee.

Cross File: None.

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

Fiscal Note History: First Reader - February 15, 2006
mll/ljm Revised - House Third Reader - March 27, 2006
Revised - Enrolled Bill - April 25, 2006

Analysis by: Lesley G. Cook

Direct Inquiries to:
(410) 946-5510
(301) 970-5510