

**Department of Legislative Services**  
Maryland General Assembly  
2007 Session

**FISCAL AND POLICY NOTE**

House Bill 1330 (Delegate Haddaway, *et al.*)  
Environmental Matters

---

**Bay Restoration Fund - Eastern Shore Demonstration Projects**

---

This bill expands the allowable uses of the Septics Account within the Bay Restoration Fund to include the cost of implementing demonstration projects, including grants of up to \$500,000 to the nine Eastern Shore counties for the extension of sewer lines from a publicly owned wastewater facility to designated areas.

---

**Fiscal Summary**

**State Effect:** Overall finances of the Bay Restoration Fund would not be affected. However, the Maryland Department of the Environment's (MDE) workload and associated staffing needs could be affected.

**Local Effect:** Although Eastern Shore counties could benefit from any grants provided for sewer extensions as a result of this bill, the amount of funding provided to local governments for septic upgrades would decrease correspondingly.

**Small Business Effect:** Minimal.

---

**Analysis**

**Current Law:** Chapter 428 of 2004 established the Bay Restoration Fund, which is administered by the Water Quality Financing Administration within MDE. The main goal of the fund is to provide grants to owners of wastewater treatment plants 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 establishes 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 is \$120,000 annually. The maximum fee for a single site 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.

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 to upgrade their septic systems and to implement an education and outreach program. The remaining 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 planting cover crops.

**Background:** As of November 30, 2006, the Comptroller had deposited approximately \$9 million into MDE’s Septics Account and had transferred approximately \$6 million to MDA’s Cover Crop Program.

MDE administers two programs (the Water Quality State Revolving Loan Fund and the Supplemental Assistance Grant Program) that provide funding to extend public sewers to areas of need, including areas of failing septic systems.

**State Fiscal Effect:** The Governor’s proposed fiscal 2008 budget includes \$6 million for MDE’s septics grant and loan program. At that funding level, MDE anticipates providing funding for 500 upgrades. The bill would not affect the total finances of the fund. Rather, it would simply provide for another possible use of the Septics Account. Any funding provided for sewer extensions would result in a commensurate decrease in the amount of funding provided for septic upgrades.

If funding is provided for sewer extensions, however, it could affect MDE’s workload. Existing MDE staff administer programs for both septic system upgrades and sewer extension projects. Depending on the amount of funding diverted from septic upgrades to

sewer extensions, and depending on the exact project mix, overall staffing needs within MDE could increase, decrease, or stay the same.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 812 (Senators Colburn and Pipkin) – Education, Health, and Environmental Affairs.

**Information Source(s):** Maryland Department of the Environment, Caroline County, Kent County, Somerset County, Department of Legislative Services

**Fiscal Note History:** First Reader - March 16, 2007  
ncs/ljm

---

Analysis by: Lesley G. Cook

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