

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE
Revised

House Bill 385

(Delegate S. Robinson, *et al.*)

Environmental Matters

Education, Health, and Environmental Affairs

Chesapeake Conservation Corps Program - Funding Extension

This bill extends the environmental surcharge that generates revenue for the Environmental Trust Fund (ETF) through fiscal 2020. The bill also makes permanent the funding of the Chesapeake Conservation Corps Program with \$250,000 each fiscal year from ETF for energy conservation projects and up to \$250,000 in additional funds each fiscal year that may be allocated by the Chesapeake Bay Trust through its annual budget process. Under current law, the environmental surcharge terminates on June 30, 2015, and the Corps Program funding provisions only apply through fiscal 2015.

Fiscal Summary

State Effect: Special fund revenues to and expenditures from ETF continue beyond FY 2015 at approximately \$9.4 million annually. State agencies, as users of electricity, continue to pay the surcharge beyond FY 2015, totaling approximately \$227,000 annually. General fund expenditures increase by \$250,000 annually, beginning in FY 2016, for the Department of Natural Resources (DNR) to offset the allocation of \$250,000 in ETF funds to the Corps Program each fiscal year.

(in dollars)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
SF Revenue	\$0	\$0	\$9,400,000	\$9,400,000	\$9,400,000
GF Expenditure	\$0	\$0	\$250,000	\$250,000	\$250,000
SF Expenditure	\$0	\$0	\$9,400,000	\$9,400,000	\$9,400,000
GF/SF/FF Exp.	\$0	\$0	\$227,000	\$227,000	\$227,000
Net Effect	\$0	\$0	(\$477,000)	(\$477,000)	(\$477,000)

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

Local Effect: Local governments, as users of electricity, continue to pay the surcharge beyond FY 2015.

Small Business Effect: Minimal.

Analysis

Current Law/Background:

Chesapeake Conservation Corps Program – In General

The Corps Program facilitates youth involvement in energy conservation and environmental efforts, and associated career opportunities for the participants, by pairing young individuals ages 18 to 25 with qualifying host organizations to undertake energy conservation and environmental projects. The program provides stipends to participating young adults and optional grants to host organizations for costs associated with projects undertaken as part of the one-year term of service. A host organization can be a nonprofit organization; a school; a community association; a service, youth, or civic group; an institution of higher education; a county or municipality; or a unit of State government.

The program is administered by the Chesapeake Bay Trust in consultation with the Corps Board, which is established to advise the trust in the development and implementation of the program. The program had 16 participants in its initial year, 21 in its second year, and currently has 26 in its third year.

Chesapeake Conservation Corps Program – Funding

Pursuant to statute, from fiscal 2011 through 2015, the Corps Program is funded with \$250,000 from ETF each fiscal year for energy conservation projects and up to \$250,000 in additional funds that may be allocated by the Chesapeake Bay Trust through its annual budget process. The trust and the Corps Board are also required to seek federal funds and grants and donations from private sources to be made to the trust for the purpose of long-term funding of the program.

The program's fiscal 2013 funding is shown in **Exhibit 1**.

Exhibit 1
Chesapeake Conservation Corps Program Funding
Fiscal 2013

<u>Source</u>	<u>Amount</u>
ETF Transfer	\$250,000
Chesapeake Bay Trust Cash	205,000
Chesapeake Bay Trust In-kind and Overhead Contributions	50,000
Private Contributions	32,824
Federal Funds	8,992
Total	\$546,816

Source: Chesapeake Bay Trust

Environmental Trust Fund

ETF was established by Chapter 31 of 1971 (SB 540) to fund electric power plant site evaluation and acquisition and research on environmental and land use considerations associated with power plants. ETF's revenue is from an environmental surcharge per kilowatt-hour (kWh) of electric energy distributed in the State, which is paid by electric companies. The amount of the surcharge for each account for each retail electric customer may not exceed the lesser of 0.15 mill per kWh or \$1,000 per month, and the surcharge may not continue beyond fiscal 2015, unless legislation is enacted to reauthorize it. The customer surcharge rate is currently at the statutorily capped level. As shown in **Exhibit 2**, in recent years, the fund has generated approximately \$9.0 million in annual revenues.

Exhibit 2
Environmental Trust Fund
Fiscal 2009-2014
(\$ in Millions)

	2009	2010	2011	2012	2013	2014
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>
Beginning Balance (Reserve)	\$1.29	\$1.48	\$1.76	\$1.93	\$1.27	\$0.22
Annual Revenue	9.08	9.44	9.15	8.86	9.41	9.36
Adjustments	0.05	0.22	(0.09)	0.19	0	0
Total Available	\$10.43	\$11.14	\$10.83	\$10.98	\$10.68	\$9.58
Expenditures						
Department of Natural Resources						
Power Plant Research Program	\$6.36	\$6.66	\$6.23	\$6.62	\$6.57	\$5.99
Admin. Costs/Other Programs*	2.43	2.72	2.17	2.62	3.38	3.09
Maryland Energy Administration	0.15	0	0.25	0.25	0.25	0.25
Chesapeake Bay Trust – CCC	0	0	0.25	0.25	0.25	0.25
Total Expenditures	\$8.95	\$9.37	\$8.90	\$9.74	\$10.46	\$9.58

*Includes funds for the Office of the Secretary, Resource Assessment Service, and Watershed Services.

CCC: Chesapeake Conservation Corps Program

Notes: Numbers may not sum to total due to rounding. The fiscal 2013 beginning balance is slightly higher than expected based on DNR's reported fiscal 2012 expenditures.

Source: Department of Natural Resources; Department of Legislative Services

Revenue generated from the environmental surcharge is deposited in ETF within DNR and used primarily to support the Power Plant Research Program (PPRP). PPRP, in cooperation with several specified State agencies, evaluates sites for their suitability for use as electric power plants, including related environmental and land use considerations; this information is then used by the Public Service Commission (PSC) in considering requests for new power plants and associated transmission lines. Each year, PSC sets the amount of the surcharge based on the legislative appropriation for DNR. In addition to funding DNR and the Corps Program, the Maryland Energy Administration (MEA) may receive administrative and fiscal support from ETF for studies relating to the conservation or production of electric energy, up to \$250,000 in any fiscal year.

Chesapeake Bay Trust

The trust is a private, nonprofit grant-making organization established by the General Assembly in 1985 to promote public awareness and participation in the restoration and protection of the water quality and aquatic and land resources of the Chesapeake Bay and

other aquatic and land resources of the State. The trust awards grants to community-led environmental education and habitat restoration projects through a portfolio of programs and manages the Corps Program as a special initiative. The trust is governed by a board of trustees. The trust has general powers and duties to, among other things:

- solicit and accept gifts, grants, legacies, or endowment of money from the federal government, the State government, local governments, and private sources;
- provide grants to nonprofit organizations, community associations, civic groups, schools, or public agencies for citizen involvement projects;
- develop projects for sponsorship by corporate and business organizations or private individuals;
- develop criteria for such projects;
- make, execute, and enter into any contracts and other legal instruments; and
- receive appropriations as provided in the State budget.

The trust's overall funding comes from (1) sales of *Treasure the Chesapeake* commemorative license plates; (2) donations from Maryland's Chesapeake Bay and Endangered Species Fund income tax check-off program; (3) federal and State government contributions; and (4) private and corporate contributions.

State Fiscal Effect:

Environmental Surcharge Extension

Special fund revenues to and expenditures from ETF continue beyond fiscal 2015. While revenues to and expenditures from the fund vary from year to year, it is assumed, for the purposes of this fiscal and policy note, that ETF revenues and expenditures average \$9.4 million annually, based on recent budgeted revenues. The Governor's proposed fiscal 2014 budget assumes \$9.4 million in receipts from the surcharge and includes \$9.6 million in special fund expenditures from ETF.

As users of electricity, State agencies continue to pay the environmental surcharge beyond fiscal 2015. Based on information provided by the Department of General Services, State expenditures for the surcharge total approximately \$227,000 annually.

Chesapeake Conservation Corps Program – ETF Allocation Extension

DNR general fund expenditures increase by \$250,000 annually, beginning in fiscal 2016. ETF funding allocated to the Corps Program beyond fiscal 2015 under the bill would be money that otherwise would fund PPRP or other programs as directed by DNR.

Therefore, it is assumed that DNR general fund expenditures increase to offset this loss of funds.

Since MEA is also authorized to receive funds from ETF, the extension of the allocation to the Corps Program could limit the amount of funding available for MEA to the extent that DNR does not receive general funds to offset the loss of funds. The Maryland Department of the Environment also receives a portion of ETF funding through DNR, approximately \$500,000 per year, and could be similarly affected.

Additional Comments: The bill's extension of the provision specifying that up to \$250,000 in additional funds may be allocated by the Chesapeake Bay Trust through its annual budget process is not expected to materially affect the trust's funding of the Corps Program. The provision does not mandate a certain amount of funding by the trust, nor does it appear that the trust would be prevented from continuing to fund the program if the provision no longer applies after fiscal 2015.

The extension of the ETF funding, however, could have a positive effect on at least the private funding of the program, if not also the trust's funding. The trust indicates that the ETF funding adds to the diversity of funding sources for the program and allows the program to support a critical mass of participants, both of which help the trust in making the case for raising private donations to the program.

Additional Information

Prior Introductions: None.

Cross File: SB 27 (Senator Astle, *et al.*) - Education, Health, and Environmental Affairs.

Information Source(s): Department of Natural Resources, Department of General Services, Public Service Commission, Maryland Energy Administration, Chesapeake Bay Trust, Department of Legislative Services

Fiscal Note History: First Reader - February 4, 2013
ncs/lgc Revised - House Third Reader - March 26, 2013

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