

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 1190

(Senators Eckardt and Serafini)

Education, Health, and Environmental Affairs

Environment and Transportation

Bay Restoration Fund - Upgraded Wastewater Facilities - Grants to Counties
and Municipalities

This bill authorizes the Maryland Department of the Environment (MDE) to use funds from the Bay Restoration Fund (BRF) to award a grant to a county or municipality that upgraded a wastewater facility to enhanced nutrient removal (ENR) before July 1, 2013, if (1) the county or municipality did not receive a grant for the upgrade from BRF and (2) the customers of the wastewater facility pay the bay restoration fee. Up to \$2 million in grants may be awarded by MDE on a first-come, first-served basis.

The bill terminates September 30, 2019.

Fiscal Summary

State Effect: Overall finances of the BRF are not affected; the bill merely expands the authorized uses of the fund. Revenues are not directly affected.

Local Effect: Local grant revenues increase by up to \$2 million (in total) in FY 2018, as discussed below. According to MDE, eligible jurisdictions include the Town of Boonsboro and Kent and Charles counties. BRF grant revenues for other jurisdictions decrease commensurately. Expenditures are not directly affected.

Small Business Effect: Minimal.

Analysis

Current Law: Chapter 428 of 2004 established BRF, which is administered by the Water Quality Financing Administration within MDE. The main goal of BRF is to provide grants

to owners of wastewater treatment plants (WWTPs) to reduce nutrient pollution to the Chesapeake Bay by upgrading the systems from biological nutrient removal to ENR technology. BRF is also used to support septic system upgrades and the planting of cover crops.

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, and Chapter 150 of 2012 doubled the fee for most users. Fee revenue generated from users of wastewater facilities is deposited into MDE's Wastewater Account and used, among other specified uses, to provide grants for up to 100% of the eligible costs to upgrade WWTPs to ENR.

Of the fee revenue collected from users of septic systems and sewage holding tanks, 60% must be deposited into a separate account, commonly referred to as the Septics Account, to provide grants and loans to septic system owners for the upgrade of their septic systems with the best available technology (BAT) for nitrogen removal and to implement an education and outreach program. The remaining funds collected from users of septic systems and sewage holding tanks (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: According to the Comptroller's Office, through December 31, 2016, a total of \$895.4 million in bay restoration fees collected from wastewater facility users had been deposited in MDE's Wastewater Account. In addition, of the fee revenues collected from users of septic systems and sewage holding tanks, \$127.1 million had been deposited in MDE's Septics Account, and \$93.5 million had been provided to MDA to support the planting of cover crops. As of August 2016, BRF has supported the installation of nearly 8,127 BAT systems, of which 4,842 upgrades were completed within Maryland's Critical Areas. Further, 214 homes were connected to public sewerage using BRF. BRF has also supported ENR upgrades to 49 major wastewater facilities, with 14 other facilities under construction and 4 in the planning or design stages.

Local Fiscal Effect: According to MDE, there are six WWTPs that are operating at the ENR level that did not receive funding from BRF:

- Boonsboro WWTP (located in and operated by the Town of Boonsboro);
- Worton Water Treatment Plant (located in and operated by Kent County);
- Eastern Correctional Institution WWTP and Dorsey Run WWTP (both owned by the State and operated by the Maryland Environmental Service); and
- Swan Point WWTP and Mattawoman WWTP (both located in and operated by Charles County).

Of these six facilities, four are owned and operated by a municipality or a county and are eligible for funding under the bill. Accordingly, it is estimated that up to \$2 million total in BRF grant funding may be awarded to the Town of Boonsboro and Kent and Charles counties in fiscal 2018, to the extent MDE uses the authority provided by the bill. Funding is available on a first-come, first-served basis; thus, the actual grants provided to each eligible jurisdiction are unknown. Expenditures for the affected local jurisdictions are not directly affected because the grant funding provided under the bill is retroactive and is not required to be used for any specific purpose. Grant revenues for other local governments decrease commensurately, reflecting grants that would have been provided from BRF in the absence of the bill for other authorized purposes.

Additional Comments: The Town of Boonsboro is located in southern Washington County between Hagerstown and the City of Frederick.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Charles, Kent, and Montgomery counties; Town of Boonsboro; Maryland Department of the Environment; Department of Legislative Services

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