

**Department of Legislative Services**  
Maryland General Assembly  
2025 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 24 (Delegates Nawrocki and Szeliga)  
Environment and Transportation

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**Bay Restoration Fund - Authorized Uses - Connection to Existing Municipal  
Wastewater Facility**

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This bill expands the authorized uses of the Bay Restoration Fund’s (BRF) Septics Account to include providing grants or loans for up to 100% of the cost of connecting a property in a low-income area, as defined by the Maryland Department of the Environment (MDE), that is using an on-site sewage disposal system (septic system) to an existing municipal wastewater facility, regardless of the level of nutrient removal or biological nutrient level treatment, including payment of the principal of debt issued by a local government for such connection costs. The bill also establishes related eligibility standards and modifies the prioritization for projects that receive funding from the Septics Account.

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**Fiscal Summary**

**State Effect:** Overall finances of the BRF Septics Account are not affected; the bill merely expands the authorized uses of the account and alters the priority for funding from the account. MDE can implement the bill’s changes with existing budgeted resources.

**Local Effect:** Local grant revenues and expenditures could be affected to the extent that BRF funding is provided to connect more properties to municipal wastewater treatment plants (WWTPs) instead of other authorized uses. Grant revenues (and corresponding expenditures), including for the payment of the principal of debt issued by a local government for authorized connection costs, may increase for some jurisdictions, while other jurisdictions may receive less funding.

**Small Business Effect:** Minimal overall, but potential meaningful impact on some small businesses depending on the projects that receive funding under the bill.

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## Analysis

### Bill Summary/Current Law:

#### *Bay Restoration Fund – Generally*

Chapter 428 of 2004 established BRF. *Under current law and the bill*, the primary purpose of the fund is to support upgrades to Maryland’s 67 major publicly owned WWTPs with enhanced nutrient removal (ENR) technology; funds are also used for septic system upgrade grants, among other things, and the Cover Crop Program within the Maryland Department of Agriculture (MDA). 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. Chapter 150 of 2012 doubled the fee for most users (until July 1, 2030).

*Under current law and the bill*, of the fee revenues collected from users of septic systems and sewage holding tanks, 60% must be deposited into the BRF Septics Account, and the remaining funds (40%) must be transferred to MDA to provide financial assistance to farmers for planting cover crops.

#### *Bay Restoration Fund Septics Account – Uses and Priority*

*Authorized Uses of the Septics Account:* *Under current law and the bill*, the Septics Account may be used to provide grants or loans for up to 100% of (1) the cost of upgrading septic systems to a BAT system; (2) the cost difference between a conventional septic system and one that uses BAT; (3) the cost of repairing or replacing a failing septic system with one that uses BAT; (4) the cost of replacing multiple septic systems in the same community with a new community sewerage system that meets ENR standards and other specified conditions; or (5) the cost of connecting a property served by a septic system to a WWTP meeting specified levels of treatment. *Under the bill*, the Septics Account may also be used to provide grants or loans for up to 100% of the cost of connecting a property in a low-income area, as defined by MDE, that is using a septic system to an existing municipal WWTP regardless of treatment level, including payment of the principal (but not interest) of debt issued by a local government for such connection costs.

*Under current law and the bill*, the Septics Account may also be used (1) for specified administrative costs for MDE (up to 8% of funds deposited) and for certain local entities (up to 10% of funds deposited); (2) to provide financial assistance to qualifying low-income homeowners for up to 50% of the cost of an operating and maintenance contract of up to five years for a BAT system; and (3) to provide financial assistance (not to exceed 10% of the funds allocated to the local jurisdiction) to eligible homeowners for the reasonable cost of pumping out a septic system under certain circumstances.

*Project Prioritization:* Under current law and the bill, statutory priority for funding from the Septics Account is as follows: (1) first, for failing systems in the Chesapeake and Atlantic Coastal Bays Critical Area (Critical Area); and (2) then, for other failing systems that MDE determines are a threat to public health or water quality. Priority is given to owners of all levels of income, for the costs associated with upgrading a septic system to a BAT septic system or the cost difference between a conventional system and one using BAT. Priority is then given to low-income owners, as defined by MDE, for the costs of repairing or replacing a failing septic system with a BAT septic system and other wastewater treatment systems.

*Under current law,* the balance of funds in the Septics Account is then awarded by MDE to local health departments (LHDs) as block grants for BAT septic system upgrades. *Under the bill,* before awarding block grants to LHDs for BAT septic system upgrades, priority is given to owners with a household income up to \$300,000 per year, for the costs associated with connecting a property in a low-income area that is using a septic system to an existing municipal WWTP regardless of treatment level, as authorized under the bill.

#### *Grant Eligibility*

*Under current law and the bill,* there are eligibility restrictions for grant awards for septic system upgrades. Among other things, grants for the costs of replacing multiple septic systems in the same community with a new community sewerage system may only be provided if the new system will only serve lots that have received a certificate of occupancy, or equivalent certificate, by October 1, 2008.

*Under current law and the bill,* among other requirements, grants for the costs of connecting a property that uses a septic system to an existing WWTP that is achieving, or has signed a funding agreement with MDE and is under construction to achieve, ENR or biological nutrient removal level treatment may only be issued if the septic system on the property was installed by October 1, 2008.

*Under the bill,* funding for the costs associated with connecting a property in a low-income area that is using a septic system to an existing municipal WWTP regardless of treatment level – as authorized by the bill – may be provided only if the household served by the septic system being replaced (1) is located in a low-income area, as determined by MDE; (2) has a household income of up to \$300,000 per year; and (3) is located adjacent to an existing sewer main.

## **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Maryland Association of County Health Officers; Calvert and Prince George's counties; Maryland Association of Counties; Washington Suburban Sanitary Commission; City of Annapolis; Maryland Municipal League; Maryland Department of the Environment; Department of Legislative Services

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