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Judicial Proceedings Committee

Vice Chair, Baltimore County
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THE SENATE OF MARYLAND
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Senate Education, Health, and Environmental Affairs Committee
The Honorable Paul G. Pinsky
2 West Miller Senate Building
Annapolis, Maryland 21401-1991

RE: SB 701 – Bay Restoration Fund – County Authority to Incur Indebtedness

Dear Chairman Pinsky and Members of the Committee:

The Bay Restoration Fund was established in 2004 and currently has about \$115 million on hand. The Maryland Department of the Environment administers the Fund. \$15 million from the Fund is allocated annually in grant funding, largely in the form of block grants to county health departments. The counties can reliably expect to receive these monies annually and in turn use them to make loans or grants to county residents whose septic systems have failed.

Maryland has about a half million septic systems serving residences, and about 10% of these are in poor or failing condition. A home septic system is the most expensive system in a home, and all home septic systems eventually fail. When that happens, the system must be replaced, or else raw sewerage is emitted and ends up in local watercourses. The cost of replacing a septic system can run as high as \$75 thousand dollars. The block grants to the counties from the Bay Restoration Fund are intended to help county residents pay for the cost of septic system replacement.

Generally speaking, counties have enough money each year to assist their citizens with their septic system replacement costs; however, there are occasions when available money runs out. In such situations, it is unacceptable for failing septic systems to be left unattended until the next year's block grant from the Bay Restoration Fund arrives.

Senate Bill 701 authorizes the counties to capitalize the future stream of money coming to them from the Bay Restoration Fund. It authorizes them to borrow money now on the strength of future receipts from the Fund. In order to do this, a county is authorized to issue notes to lenders. The principal of the notes may be repaid from the county's Bay Restoration Fund allocation. The bill also authorizes the county to pledge its full faith and credit to the payment of the principal and interest on the notes and then must dedicate property tax revenues in future years to pay the principal and interest. Essentially, under Senate Bill 701, the counties are given an additional tool in their toolboxes to deal with failing septic systems – they can borrow today

against future allocations of Bay Restoration Fund money and thus can fund current urgent septic system repairs.

I would like to mention that I will be offering two amendments that were offered in the house as a result of a cooperative effort with the Maryland Department of the Environment. The first amendment is technical while the second expands the legislation to cover engineering costs and the repair of other sites such as drain fields.

I hope that you will give SB 701 a favorable report.