

SB737_MDE_LOS.pdf

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Maryland

Department of the Environment

Larry Hogan
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Secretary

March 4, 2021

The Honorable Paul G. Pinsky, Chair
Education, Health, and Environmental Affairs Committee
2 West Miller Senate Office Building
11 Bladen St.
Annapolis, Maryland 21401

Re: Senate Bill 737 – Comprehensive Conservation Finance Act

Dear Chairman Pinsky and Members of the Committee:

The Maryland Department of the Environment (MDE) has reviewed Senate Bill 737, entitled *Comprehensive Conservation Finance Act*, and would like to offer our support for this bill.

We believe this legislation is the first comprehensive conservation finance act of its kind nationally and sets the stage for Maryland to be even more of a national environmental leader on issues such as the restoration of the Chesapeake Bay and mitigating and adapting to the effects of climate change. The bill contains multiple provisions that promote public and private financial investment in environmental projects and markets, while also meeting other important goals like environmental justice. The bill also promotes pay-for-performance procurement for environmental and conservation projects.

The key features of this legislation are:

- Greater flexibility and more opportunities to use the Clean Water and Drinking Water State Revolving Funds to match recent changes in federal law;
- Pay-for-Success Procurement that allows State agencies to buy environmental outcomes which will bring down costs for environmental restoration and compliance while increasing investment in environmental projects;
- Removing barriers to and encouraging participation in carbon markets;
- Promoting investment in environmental justice and disadvantaged communities; and
- Encouraging the use of State funding to purchase environmental outcomes from long-term or permanent projects located in the watershed

Engaging the conservation finance sector makes sense at this time of constrained State and local budgets and increasing demands for limited government funding. There is growing interest and demand for sustainable and green investment, which can generate a financial return as well as measurable environmental results. By improving Maryland's conservation finance laws, policy and markets, we will be able to attract more private investment in Maryland's environment and natural resources. This is essential if we are serious about meeting and maintaining our clean water and clean air goals. In addition to increasing demand, the changes in this legislation will drive greater efficiencies, bringing down the overall costs and accelerating the delivery of environmental restoration projects.

The Honorable Paul Pinsky

Page 2

Thank you for your consideration. We will continue to monitor Senate Bill 737 during the Committee's deliberations, and I am available to answer any questions you may have. Please feel free to contact me at tyler.abbott@maryland.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Tyler Abbott", written over a horizontal line.

Tyler Abbott

cc: The Honorable James C. Rosapepe

Alliance for the Chesapeake Bay - support letter f

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March 1, 2021

The Honorable Paul G. Pinsky, Chair and
The Honorable Cheryl C. Kagan, Vice Chair
Maryland Senate Education, Health, and Environmental Affairs Committee
Miller Senate Office Building, 2 West Wing
11 Bladen St., Annapolis, MD 21401 – 1991

Re: SB0737 The Comprehensive Conservation Finance Act of 2021

Dear Chairman Pinsky, Vice Chairwoman Kagan, and Members of the Committee,

The Alliance for the Chesapeake Bay is writing in support of the proposed SB0737, Comprehensive Conservation Finance Act of 2021. For the last 50 years, the Alliance has brought together communities, companies, and conservationists to restore the lands and waters of the Chesapeake Bay. While public and philanthropic funding has helped move the needle on restoration progress over the last few decades, it is critically important to attract private capital and financing to the effort, in order to achieve the most equitable and efficient outcomes for the Chesapeake Bay watershed.

The proposed Comprehensive Conservation Finance Act would place Maryland squarely on the map as a state leading the way in innovative restoration that engages both the public, philanthropic and private sector investments more deeply in this work. The Alliance is supportive of all efforts to increase the capital available to perform restoration work in the Chesapeake Bay watershed.

From our perspective, this proposed legislation provides the following opportunities to the state of Maryland and the Chesapeake Bay:

- Defines ‘blue infrastructure’ and puts both blue and green infrastructure on the same footing for state financing as traditional gray infrastructure practices.
- Provides more opportunities for green infrastructure projects such as forest and tree planting by making them eligible for MDE state revolving fund loans, grants, and loan guarantees.
- Helps to accelerate the permitting and installation of green infrastructure projects through the creation of a green infrastructure and restoration commission.
- Expands the ability of many Maryland state agencies to contract for work utilizing competitively procured Pay for Success contracts where private capital is put at risk if environmental outcomes are not achieved, and which helps drive innovation, speed of delivery, and price reduction of projects.

- Enhances many opportunities for land owners to participate in voluntary carbon markets, including creating working groups through DNR and Department of Agriculture to explore programming to assist, and amending state laws to enable easier access to these markets.
- Creates a cross-state funding mechanism for watershed and conservation projects in the Pennsylvania portion of the Susquehanna watershed which will assist in accelerating water pollution improvements there.

We applaud the efforts of this legislation to incorporate equity as a critical piece of restoration work moving forward. This legislation requests the state's Environmental Justice Commission to recommend actions needed to create a human right to affordable, clean water, following California's lead. Recognizing the intersection of equity in this work, this bill prioritizes areas that have been historically marginalized, and seeks to provide co-benefits of on the ground restoration benefits for the benefit of our Maryland communities.

The timing on the introduction of this bill is incredibly important, as State and County revenues are down and the prioritization of increased spending to protect the health of all Marylanders has increased. The Alliance applauds the collective efforts that resulted in the introduction of this bill – it is a critical investment for a brighter future for cleaner water for all Maryland residents, and for those further downstream in the Chesapeake.

The Alliance is appreciative of your efforts on behalf of the residents of the state of Maryland via innovative solutions for protection and restoration of our priceless natural resources. Please reach out with any comments or questions – I can be reached at KFritz@allianceforthebay.org or 443-926-1111 (cell).

Sincerely,

A handwritten signature in blue ink, appearing to read "Kate Fritz".

Kate Fritz, Chief Executive Officer
Alliance for the Chesapeake Bay

CC: Senator Jim Rosapepe
Senator Guy Guzzone
Senator Sarah Elfreth
Senator Will Smith
Senator Ron Young

SB737 - Comprehensive Conservation Finance Act - F

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Position: FAV



MARYLAND LEAGUE
OF CONSERVATION VOTERS

March 4, 2021

SUPPORT SB 737 - Comprehensive Conservation Finance Act

Chairman Pinsky, Vice Chair Kagan and Members of the Committee:

Maryland League of Conservation Voters

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Kim Coble
Executive Director

30 West Street
Suite C
Annapolis, MD 21401

410.280.9855
mdlcv.org
marylandconservation.org

The Maryland League of Conservation Voters strongly supports SB 737 - Comprehensive Conservation Finance Act, and thanks Senator Rosapepe for his leadership on this issue.

Maryland is widely recognized for its natural resources and has a long history of working to conserve and protect these resources while also maintaining the industries that rely on them. The State has created a number of funding programs to support these efforts. However, state funds are limited and the needs to improve “environmental outcomes” and reduce pollution, especially greenhouse gas emissions, continues to increase. What has become evident is that a far more effective and efficient mechanism is to facilitate the engagement of the private investment market. This is exactly what SB 737 accomplishes. It provides a long-term vision and process of how the State will achieve environmental outcomes. The financial systems created by SB 737 provide “signals” to the private investment market that Maryland is prioritizing conservation goals and creating policies to support these goals. Additionally, it creates structures, such as public-private partnerships and procurement and contractual systems that are attractive to private investors. Thereby, enabling and incentivizing more private funds directed at environmental outcomes. SB 737 also allows for mitigation practices to be eligible for financial assistance through the State Revolving Loan Fund, Chesapeake Bay Trust Fund, Drinking Water Loan Fund, and by doing so, provides incentives for the private market to engage through pay-for-success models, green bonds, and environmental impact bonds. The bill also leverages local, state and federal funds thereby creating a more attractive investment opportunity for the private sector. Additional provisions in SB 737 that we strongly support include:

- addressing water infrastructure and water quality needs by allowing and providing financing mechanisms for “blue infrastructure” including filters such as oysters, seagrass and marshes and “green infrastructure” such as forest, buffers, permeable pavers and green roofs;
- providing a mechanism for funds to be allocated to address pollution from the Susquehanna River watershed;

- allowing for a longer loan repayment period for disadvantaged communities and targeting funds to these communities;
- creating a workgroup that will develop recommendations that create systems for forest carbon sequestration programs;
- creating a task force and working group to assess procedures that could be simplified and barriers that could be removed that will result in future investments.

It is likely that by creating a comprehensive approach and financial opportunities to support environmental outcomes that Maryland could attract private conservation investment funds from a wider geographic area and set Maryland up as a leader in the conservation finance arena as well as make significant strides to protect our natural resources.

Maryland LCV urges a favorable report on SB737.

SB 737 Comprehensive Conservation Finance Act of 2

Uploaded by: Kerr, Cait

Position: FAV

Thursday March 4, 2021

TO: Paul Pinsky, Chair of Senate Education, Health and Environmental Affairs Committee; and Committee Members

FROM: Mark Bryer, The Nature Conservancy, Chesapeake Bay Program Director; and Caitlin Kerr, The Nature Conservancy, Conservation & Climate Policy Analyst

POSITION: Support SB 737 Comprehensive Conservation Finance Act of 2021

The Nature Conservancy (the Conservancy) supports SB 737 offered by Senator Rosapepe. SB 737 is a sweeping piece of legislation that holds the potential to transform how Maryland finances environmental restoration and protection. Critical highlights of the bill include expanded opportunities to use the State's Water Quality Loan Fund, enhance the use of nature-based solutions to clean our waters and to sequester carbon and mitigate climate change, procure environmental outcomes using pay-for-success contracting, and build more equity into that State's environmental investments.

Maryland has demonstrated national leadership in investing in clean water and climate change solutions, including promoting environmental markets. We must now take the next step to scale our solutions for greater impact, so that these investments may continue to pay dividends for years to come. SB 737 can provide a blueprint for Maryland, and the nation, to realize the potential for markets to finance more environmental improvements at lower costs. The bill also includes provisions to increase access to financing for frontline communities that are the most impacted by climate and environmental health risks, through the State's revolving loan fund.

The Conservancy is dedicated to investing in nature-based solutions – also called green and blue infrastructure – both in Maryland and across the globe. These solutions provide long-term carbon storage and nutrient runoff reductions, and also protect biodiversity, restore watersheds, and improve human health. The Conservancy developed foundational science¹ on these solutions, and we know that intense collaboration between frontline communities, governments, large and small non-governmental organizations (NGOs), and private financing is essential to achieve the transformational change that is necessary to combat climate change and improve environmental health. Our experience has shown that these solutions also provide critical, economical co-benefits to communities, such as flood risk reduction, enhanced climate resilience, and job creation. We note and appreciate that this bill expands the opportunity to finance these solutions and deliver benefits to Maryland's citizens and its ecosystems for many years to come.

We also have significant experience here in Maryland and around the world working with private financial institutions to fund critical conservation projects. This bill creates a unique opportunity to engage with and enhance private investors' participation in helping our State to meet our ambitious clean water and climate goals. In particular, the pay-for-success contracting laid out in this legislation could create a culture of entrepreneurship to deliver environmental outcomes and incentivize new private sector investors to engage in environmental restoration and protection. The legislation would also establish guardrails that encourage innovation in project delivery, technology, and financing while transferring risk from the State to the private

¹ <https://www.pnas.org/content/114/44/11645>

sector. As a result, this bill has the potential to attract attention and funding from federal agencies looking to test similar innovations.

The Conservancy commends Senator Rosapepe for recognizing the importance of the Comprehensive Conservation Finance Act and revitalizing the policy to incentivize innovative, cost-effective, equitable projects that can help accelerate progress toward clean water and climate mitigation goals, while reducing costs.

Therefore, we urge a favorable report on SB 737.

3.2 CCFA Support Quotes.pdf

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Position: FAV

Conservation Finance and Restoration Support for SB0737 Maryland's Comprehensive Conservation Finance Act

America's ecological restoration industry supports \$25 billion in annual economic output and 225,000 jobs. These are statements of support from non-profit organizations, major businesses and investors involved in restoration and water quality work in Maryland and the Chesapeake Bay.

"The proposed CCFA legislation will serve to 1) bolster ecological restoration demand; 2) improve transaction efficiencies; 3) increase investment in ecological restoration and 4) reduce the cost of financing these critical infrastructure improvements." - Jeffrey Eckel, Chairman and CEO, [Hannon Armstrong \(NYSE: HASI\)](#), Annapolis, Maryland. Hannon Armstrong is the first U.S. public company solely dedicated to investments in climate change solutions and has made approximately \$45 million of direct investments in ecological restoration.

"No U.S. state legislative body has ever proposed or passed any legislation that could be reasonably called a comprehensive conservation finance act. However, one will almost certainly do so soon, as the potential benefits of such legislation for climate, water quality, taxpayers, and innovation are increasingly clear. Our thanks to Senator Rosapepe and cosponsors for making the Maryland legislature the first in the country to do so." - Nicholas Dilks, Managing Partner, [EIP. Ecosystem Investment Partners](#), Baltimore City. EIP is a national leader in delivering market-based privately funded ecosystem restoration and conservation at scale.

"As one of the nation's largest conservation nonprofits, we hope your committee and the General Assembly will enact SB 0737 and in so doing, establish greater priority for nature-based solutions and allow our great state to capture its fair share of growing private capital investment markets." - Bill Crouch, Maryland State Director, [The Conservation Fund](#)

"Our members are increasingly seeking out large scale restoration projects and initiatives because the scale of investment from pension funds and other investors is more challenging to deploy in hundreds of small projects. There are multiple changes proposed in the CCFA that would make much larger scale investment possible and likely." - Sara Johnson, Executive Director, [ERBA. The Ecological Restoration Business Association](#) represents ecological restoration and mitigation banking firms located across the country.

"It is not a lack of initiative by companies like GreenVest or access to capital that is holding back conservation investing, its policy. If put in place, changes like the ones in this proposal will signal market stability, bolstering demand, improving transaction efficiencies, and reducing risk. The net result will be more low-cost funds to get restoration projects in the ground faster." - Doug Lashley, Managing Member, [GreenVest](#), Bowie Maryland. GreenVest is a 24-year-old company that has completed or is in the process of carrying out almost \$150 million in restoration work in the Bay and throughout the Atlantic Seaboard.

"The passage of S.B. 737 will position Maryland as an innovative problem solver and de facto leader in the conservation finance field and will create powerful incentives for the private sector to join in this effort." - Ashley Allen Jones, CEO, [i2 Capital](#), Washington, DC. i2 Capital is a conservation finance firm that works at the intersect of public and private sectors to advance innovative solutions that bring additional private capital to bear on the conservation challenge.

“The CCFA builds on the state’s restoration successes by adjusting existing programs to ensure their intended outcomes are achieved more efficiently and intentionally. By codifying Pay-For-Success contracting, the CCFA will help ensure restoration project succeed by only paying as critical milestones are achieved.” - Michael Hare, Director of Government Relations, [RES](#), Glen Burnie, Maryland. *RES is one of the countries largest private companies focused exclusively on comprehensive ecological restoration and water resource solutions.*

“Government policy can encourage private investment by signaling consistent and dependable demand for conservation outcomes. By authorizing Pay-for-Success as a competitive procurement practice, the CCFA creates the opportunity for the state to buy completed environmental outcomes. If private investors perceive the state as a predictable buyer of environmental commodities, they will start investing in the delivery of water quality and similar outcomes in advance of the state’s need.” - Peter Stein, Managing Director, [Lyme Timber](#). *Lyme Timber Company LP is a private timberland investment manager that focuses on the acquisition and sustainable management of lands with unique conservation values.*

“This legislation will have dramatic positive impact on Maryland’s environment, economy, and population by incentivizing new environmental projects, facilitating projects of greater scale and impact, and unlocking capital from federal programs and private impact investors.” - Eric Letsinger, CEO, [Quantified Ventures](#). *Quantified Ventures, an outcomes-based capital firm based in Chevy Chase, Maryland, develops and structures financing for transformative environmental projects across the country using an outcomes-based approach.*

“The proposed changes expand the State of Maryland’s ability to apply what has worked, improve the procurement process by bringing the State’s purchasing power to local cities or counties, and encourage additional private financing or public-private financing partnerships.” - Sean Agid, Partnership Development, [Corvias](#), Co. *Corvias is a partnership-focused company that has delivered more than \$10 billion in value to partners like the Department of Defense and local government through 32 partnerships over 20 years.*

“The proposed Comprehensive Conservation Finance Act would place Maryland squarely on the map as a state leading the way in innovative restoration that engages both the public, philanthropic and private sector investments [The bill] expands the ability of many Maryland state agencies to contract for work utilizing competitively procured Pay for Success contracts where private capital is put at risk if environmental outcomes are not achieved, and which helps drive innovation, speed of delivery, and price reduction of projects.” - Kate Fritz, CEO, [Alliance for the Chesapeake Bay](#)

“The Earth Partners is perpetually looking for places to spend the institutional capital that we have access to on land restoration and climate resiliency projects. However, the conditions must be in place – including market stability, demand for environmental outcomes, and low transaction costs – before we are willing to enter a new market. The CCFA in many ways provides those enabling conditions and its passage is more likely to lead to TEP’s investment in Maryland, and the subsequent job creation and positive environmental outcomes that our projects bring.” - David Tepper, CEO, [The Earth Partners](#). *Bethesda, Maryland. TEP builds new markets across the country for ecological products including sourcing feedstock for bioenergy facilities, wetland and stream mitigation banks, and carbon protocol implementation for soil carbon.*

“The CCFA is a suite of innovative legislative changes that build on Maryland’s significant leadership in crafting policy solutions to ensure the health of the Chesapeake Bay watershed. Combined, these and other changes represent a powerful approach to stretch public dollars and increase the viability of cross-sector investments that support healthy forests.” - Blake Stansell, CEO, [Forestlands Group](#). *The Forestlands Group is one of Maryland’s largest private landowners and owns and manages a national network of sustainably managed, certified working forest lands.*

“This comprehensive measure would advance conservation, environmental justice, and water quality efforts throughout the State, unlocking both private capital and federal funding. Maryland has the chance to be a national leader by passing this Act and solidifying the state’s commitment to landscape-scale and equitable conservation.” - April Mendez, CEO, [Greenprint Partners](#). *Greenprint is a certified B Corporation that specializes in community outreach, planning, and installation of green infrastructure in urban areas and focused on co-benefits for the disadvantaged communities in which they target projects.*

“SB0737, the Comprehensive Conservation Finance Act, is a win for Maryland’s efforts to halt climate change, build community climate resilience, achieve critical Chesapeake Bay water quality goals, protect and restore forests, and address environmental justice priorities.” – *Statement from sign-on letter from Environmental Defense Fund, Chesapeake Conservancy, EPIC, The Conservation Fund, and Alliance for the Chesapeake Bay*

“We believe this legislation does not increase the state budget (or local ones) and is likely to bring significantly greater private investment to Maryland and lower taxpayer costs for improvements to the water quality of the Chesapeake Bay. We have seen how effective Anne Arundel County’s outcome procurement and Prince George’s County’s water quality partnership approach have been, as well as the Department of Transportation’s, compared to many in the region. This legislation will make it easier to replicate the success of initiatives like these.” – Dr. Timothy Male, Executive Director, [Environmental Policy Innovation Center](#). *EPIC is a Maryland/DC-based nonprofit that works on policies that will speed up the pace of conservation and the investment in equitable water infrastructure.*

EPIC support for CCFA SB0737.pdf

Uploaded by: Male, Timothy

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March 2, 2021

The Honorable Paul G. Pinsky, Chair
The Honorable Cheryl C. Kagan, Vice Chair
Maryland Senate Education, Health, and Environmental Affairs Committee
Miller Senate Office Building, 2 West Wing
11 Bladen St.
Annapolis, Maryland 21401 – 1991

Re: SB0737 The Comprehensive Conservation Finance Act of 2021

Dear Chairman Pinsky, Vice Chairwoman Kagan, and Members of the Committee:

The Environmental Policy Innovation Center (EPIC) is a 4-year-old conservation organization I co-founded after serving as Associate Director for Conservation at the White House Council on Environmental Quality from 2014-2017. At the White House CEQ, I led work on innovative conservation finance, water infrastructure investment, and a diversity of conservation issues.

I am also a former, 3-term city councilmember from Takoma Park.

The mission of EPIC is to support policy ideas that would allow the speed and scale of conservation to be dramatically increased. Half of our staff and consultants are women, forty percent are people of color, and our largest program is focused on improving equity outcomes in drinking and wastewater services and investment.

We enthusiastically support SB0737, the Comprehensive Conservation Finance Act, and hope that your committee and the legislature pass this bill this year.

The expansion of private investment into conservation is one of the most exciting shifts I have seen in 25 years of conservation work. That investment allows more rapid expansion of conservation and water infrastructure initiatives and the growth of private companies focused on ecological restoration is already delivering national benefits for water resources and habitat restoration. We believe this legislation does not increase the state budget (or local ones) and is likely to bring significantly greater private investment to Maryland and lower taxpayer costs for improvements to the water quality of the Chesapeake Bay.

We want to identify the following parts of the bill that are particularly important:

Climate

We are aware the legislature is considering other important climate legislation, especially SB414. The proposals in SB0737 are more modest by comparison, but we believe will support the Climate Solutions Now Act and those other legislative efforts. The bill makes carbon outcomes easier to procure (as we mention below) – the state would be able to use much simpler supply contracts to purchase sequestered carbon from actions like tree planting much more simply than is currently possible. In the Chesapeake and Coastal Bays Trust Fund, the legislation prioritizes projects that deliver carbon

sequestration or climate resilience co-benefits alongside water quality benefits. It also creates more opportunity for DNR and the Department of Agriculture to support initiatives to help private forest landowners and farmers aggregate carbon credits from land conservation, forest protection, and healthy soils management to sell to voluntary carbon buyers.

Procurement

USDA is talking about defining carbon sequestration outcomes as a 'commodity' allowing new USDA funding for conservation practices that store carbon. This legislation would make Maryland the first state to adopt a definition of carbon, water quality and other environmental outcomes as a commodity. It would also make Maryland the second state in the country (after Louisiana) to adopt Pay for Success as a contracting method for environmental outcomes, although many states have done so for social programs.

These changes are an important opportunity to potential increase access to future federal funding, but it is also important because of the shift it represents in how the state purchases units of environmental progress. Instead of putting taxpayer dollars at risk by paying for projects before they are completed, this approach shifts risk, and the state would only pay for successful work. We have carried out reviews of all similar initiatives and programs we are aware of (at the state level in Louisiana and California and the county level here in Maryland) and the evidence we have seen shows that this approach significantly lowers the cost of contracted work and incentivizes a high rate of success. We have seen how effective Anne Arundel County's outcome procurement and Prince George's County's water quality partnership approach have been, as well as the Department of Transportation's, compared to many in the region. This legislation will make it easier to replicate the success of initiatives across state programs.

Environmental Justice

Maryland Department of Environment's Revolving Loan Funds for water infrastructure are some of the most important financing programs in the state. The legislation makes installation of green infrastructure in burdened communities, replacement of toxic lead water pipes, and support for environmental impact bonds for green infrastructure (like Baltimore's impact bond) easier to finance with these programs. The bill also allows a small amount of these program's funding to be used for technical assistance grants to help burdened communities develop loan proposals for water infrastructure projects. And it asks the Environmental Justice Commission to identify steps the state would need to take to establish a human right to water. This idea of a right to water is already established in law in California and is advancing through legislation in Virginia and referendum proposals in New York.

Conclusion

On SB0737, we were pleased to be able to work with a diversity of conservation, finance, and restoration organizations and foundations over the last year in developing high priority ideas for policies that would attract private finance to Chesapeake Bay conservation efforts. Those principles are well-reflected in Senator Rosapepe and cosponsors' Comprehensive Conservation Finance Act.

Passage of this legislation would make Maryland the first state in the country to pass legislation on conservation finance and lead to far more attention from outside funders to Maryland's conservation initiatives, programs, and goals. We participated in meetings with many career staff from Department of Transportation, Natural Resources, Agriculture, Environment, Maryland Environmental Trust, and the

University of Maryland and met with the Bay Cabinet multiple times as they discussed the bill. We feel strongly that it is a budget-neutral bill that will expand private investment and jobs in Maryland while delivering carbon, green infrastructure, climate resilience, environmental justice and water quality benefits throughout the state.

Sincerely,

A handwritten signature in black ink, appearing to read 'Timothy Male', with a stylized, sweeping initial 'T'.

Timothy Male, Executive Director
Environmental Policy Innovation Center

cc:

Senator Jim Rosapepe

Senator Guy Guzzone

Senator Sarah Elfreth

Senator Will Smith

Senator Mary Washington

Senator Ron Young

SB0737_DNR_SWA 3-4-2021 EHEA.pdf

Uploaded by: McKitrick, James

Position: FAV



Larry Hogan, Governor
Boyd Rutherford, Lt. Governor
Jeannie Haddaway-Riccio, Secretary

March 4, 2021

The Honorable Paul G. Pinsky
Chair, Education, Health and Environmental Affairs Committee
2 West Miller Senate Office Building
Annapolis, MD 21401

The Honorable Cheryl C. Kagan
Vice Chair, Education, Health and Environmental Affairs Committee
2 West Miller Senate Office Building
Annapolis, MD 21401

Re: Letter of Support – Senate Bill 737 – Comprehensive Conservation Finance Act

Dear Chair, Vice Chair, and Committee Members,

The Maryland Department of Natural Resources offers its support for Senate Bill 737. This bill takes a comprehensive approach in expanding the state's ability to finance and implement large-scale conservation and restoration projects that will help protect our most treasured natural resources and mitigate impacts related to climate change.

We are all aware that public funding alone will not achieve the goals of Chesapeake Bay restoration and greenhouse gas emission mitigation. This bill takes an important step toward closing this funding gap by increasing the state's ability to leverage public dollars by encouraging private investment in water quality and carbon offset projects. By expanding revolving loans/private loans and allowing for pay-for-performance contracts, it opens the door for creative financing solutions that include private restoration capital. These measures will protect public dollars by allowing the state to pay for proven and established projects, incentivize projects that have multiple environmental benefits and encourage larger long-term projects for greater impact.

The department has already been taking a proactive approach to leverage outside funding for Bay restoration programming. For example, from 2008 to 2019, for every state dollar invested in restoration via the Chesapeake and Atlantic Coastal Bays Trust Fund, DNR has been successful at leveraging an additional \$0.43 in other public and private funds toward a restored Bay. Primarily, the department has been successful through comprehensive "natural filters" projects (ex. stream and wetland restoration) that provide multiple co-benefits in addition to pollution reduction. We believe that the actions identified in this bill will allow us to further improve our success at bringing even more, and much needed, external resources to this critical effort.

Thank you again for allowing the department to provide the above information on SB 737 for the committee's careful consideration.

Respectfully submitted,

James W. McKittrick
Director, Legislative and Constituent Service

Contact: James McKittrick, Director, Legislative and Constituent Services
JamesW.McKittrick@maryland.gov ♦ 443-510-5013

3.1.21 Chesapeake Conservancy Support letter SB 73

Uploaded by: Perry, Reed

Position: FAV

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March 2, 2021

The Honorable Paul G. Pinsky, Chair
Education, Health, and
Environmental Affairs Committee
Maryland Senate
Miller Senate Office Building 2 West Wing
11 Bladen Street
Annapolis, MD 21401

The Honorable Cheryl C. Kagan Vice Chair
Education, Health, and
Environmental Affairs Committee
Maryland Senate
Miller Senate Office Building 2 West Wing
11 Bladen Street
Annapolis, MD 21401

Dear Chair Pinsky and Vice Chair Kagan,

On behalf of Chesapeake Conservancy, I would like to express our support for SB 737, the Comprehensive Conservation Finance Act of 2021.

As Maryland, our nation, and our global community face twin environmental crises – global climate change and the projected extinction of 1/8th of the world's species by 2100 – we must amplify and accelerate our conservation efforts to protect nature and to protect humanity. To respond to these global challenges, and also to address important local and statewide environmental challenges like restoring the Chesapeake Bay, Maryland must deploy all available resources and explore innovative policy measures to increase incentives for conservation.

Through several changes to state code, SB 737 would allow Maryland to attract greater investment in conservation and environmental outcomes from private capital, including from philanthropic foundations, profit-seeking investors, and from national and multinational corporations acting voluntarily to improve their green footprint.

SB 737 includes a number of innovative policy measures that would put Maryland at the forefront of the effort to further incentivize private capital investments in environmental outcomes. The bill would authorize pay-for-success contracting in Maryland's procurement code and would define environmental outcomes for procurement. As a result, Maryland agencies could purchase environmental outcomes such as 'pounds of nutrient pollution reduced', using pay for success contracts which incentivize performance and shift project risk to investors.

The bill would also expand uses of Maryland's Clean Water and Drinking Water state revolving funds (SRFs) to incentivize green infrastructure and conservation projects as a means to protect source water. SRFs enable a competitive borrowing rate for communities and investors, thereby reducing risk. Changes to state code for Maryland's SRFs would also address environmental justice by prioritizing projects to replace toxic lead pipes, by consolidating small private and failing utilities, and by supporting green infrastructure projects that would benefit disadvantaged communities.

SB 737 would also enable Maryland landowners to take advantage of voluntary carbon markets, including to preserve agricultural lands and deploy conservation practices for soil health. The bill would create a clear authorization for Maryland to purchase soil and forest carbon outcomes, it would authorize the state to partner with expert organizations to support credit aggregation, and it would direct Maryland to implement one forest carbon offset project on state land by 2024.

Collectively, these and other innovative policy provisions would drive greater investment from private capital sources in order to achieve conservation and environmental outcomes in Maryland. My belief is that it would provide an estimated additional \$100 million per year for conservation within five years after the bill is implemented.

SB 737 represents the first comprehensive conservation finance legislation in all the states, and would enable Maryland to amplify and accelerate its conservation and environmental restoration efforts.

Thank you for considering this important legislation, and I urge you to support SB 737.

Sincerely,



Joel Dunn
President and CEO
Chesapeake Conservancy

SB737 MGPA, Support.pdf

Uploaded by: Thompson, Lindsay

Position: FAV



Maryland Grain Producers Association
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www.marylandgrain.com

Date: March 4, 2021

Senate Bill 737 - The Comprehensive Conservation Finance Act of 2021

Committee: Education, Health and Environmental Affairs Committee

MGPA Position: **SUPPORT**

The Maryland Grain Producers Association serves as the voice of grain farmers growing corn, wheat, barley and sorghum across the state. On an annual basis, nearly a million acres of these crops are grown in Maryland.

Senate Bill 737 would make Maryland a leader in advancing voluntary conservation in a way that is mutually beneficial to farmers, landowners and the public. MGPA supports and appreciates the existing conservation cost-share programs. Every farm across the state is unique and farmers know their land. They may need to tailor conservation practices to the conditions of their operations, but they can absolutely deliver outcomes beneficial to the state and the environment. Changes in this bill make it easier for farmers, the state, and others to focus on what conservation results are being produced and give farmers a little more freedom in how it is produced.

MGPA also supports the provision in the bill that prohibits the state from prohibiting or limiting farmers participating in cost share programs from also receiving compensation through carbon, soil health or greenhouse gas reduction programs. USDA is investigating making carbon into a commodity. That would allow significant USDA funds to be put into paying for carbon-related commodities. In many ways, this bill would put Maryland ahead of the federal government on this issue, not just for carbon but also for water quality outcomes. Changes also make it clear that MDE's revolving loan funds can be used to support watershed work. This could eventually be an important tool in supporting voluntary conservation initiatives by producers.

MGPA supports voluntary conservation, pay for performance and compensation of farmers for beneficial environmental outcomes; which this bill advances.

We request your favorable report on Senate Bill 737.

SB 737 CCFA SWA.pdf

Uploaded by: Clark, Robin Jessica

Position: FWA



CHESAPEAKE BAY FOUNDATION

*Environmental Protection and Restoration
Environmental Education*

Senate Bill 737

Comprehensive Conservation Finance Act

Date: March 4, 2021

To: Senate Education, Health and Environmental
Affairs Committee

Position: Support

From: Robin Clark, Maryland Staff Attorney

Chesapeake Bay Foundation **SUPPORTS SB 737 WITH AMENDMENTS**. This bill considers changes and updates to various elements of the State's environmental laws and financing and envisions new avenues for private investment of environmental policy and programs in Maryland. Leveraging private investment may speed environmental outcomes that help restore the Chesapeake Bay.

This legislation draws several subject matters to the foreground that are worthy of consideration and update. For example, the creation of a Maryland-based carbon market could support environmental work in key areas – including providing ongoing financial resources for conservation practices in agriculture, and stormwater management practices, such as tree plantings in developed areas. The State should investigate and determine what updates to the law, if any, are needed to help that market develop.

The development of an interstate trading program between Pennsylvania and Maryland in the Susquehanna Basin, envisioned in this legislation could help Bay's recovery efforts. While water quality benefits might accrue more substantially to the state where the best management practices is installed, as long as the benefit is in the same basin, the Chesapeake Bay will benefit.

This legislation also seeks to define concepts currently lacking definition. These include blue and green infrastructure. In drafting these definitions, consideration must be made of the ways that blue and green infrastructure fit in current laws, and also the way that they may be emphasized in the future. For example, the definition of green infrastructure includes engineered elements that protects communities from flooding or storm surge or sequesters carbon. Green infrastructure, even when partly engineered, requires a natural tie. And while flood mitigation and carbon sequestration are co-benefits of green infrastructure, they may not merit standalone inclusion in the definitions.

The legislation expanded uses for the Drinking Water Revolving fund may allow the fund to support non-point source pollution reduction, forest and wetland protection and restoration so long as they can be tied to drinking water quality. Precedent for this extension may be found in New York's acquisition of the Catskills and Adirondack parks to protect drinking water quality for New York City. This concept seems worthy of exploration, including the dynamic it would create between existing sources of funding for the Bay's restoration.

Others areas of this legislation that demand further review and consideration include the provisions relating to hydroelectric power and forest conservation. On the latter, the legislation's mandated priorities and contribution rates are piecemeal changes that may create disincentives to forest preservation without broader updates across the Forest Conservation Act. Additionally, allowing

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landowners to use forests on state properties as the buffer or insurance requirements for private forest transactions should not be permitted. If the markets require additional acreage set aside for insurance reasons that should be done in an area controlled by the credit creator.

The challenge with such a broad set of environmental outcomes that can be traded and the complicated blending of funds that could include state grants and loans includes tracking the transactions to make sure environmental outcomes are achieved and loaned money is repaid by offset payments. The “stacking” of several types of environmental outcomes into a single instrument also invites the potential for confusion. If a single action such as planting trees can reduce nitrogen and sequester carbon, stacking is appropriate. However, definitions of commodities in the legislation list multiple environmental outcomes which could be conflated, and if paid for with a grant and reimbursed by offset credits, could lead to miscounting or double dipping.

CBF urges the Committee’s FAVORABLE WITH AMENDMENTS report on SB 737.

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The Chesapeake Bay Foundation (CBF) is a non-profit environmental education and advocacy organization dedicated to the restoration and protection of the Chesapeake Bay. With 300,000 members and e-subscribers, including over 109,000 in Maryland alone, CBF works to educate the public and to protect the interest of the Bay and its resources.

2021 SB 737 Comprehensive Conservation Finance Act

Uploaded by: Robertson, Ellen

Position: INFO

Larry Hogan
Governor

Boyd K. Rutherford
Lt Governor



Ellington E. Churchill, Jr.
Secretary

Nelson E. Reichart
Deputy Secretary

OFFICE OF THE SECRETARY

BILL: Senate Bill 737
Comprehensive Conservation Finance Act

COMMITTEE: Senate Education, Health and Environmental Affairs

DATE: February 23, 2021

POSITION: Letter of Information

Upon review of Senate Bill 737 - Comprehensive Conservation Finance Act, the Department of General Services (DGS) provides these comments for your consideration.

Senate Bill 737 provides that the Department of Natural Resources (DNR), Department of Agriculture (MDA) and the Maryland Environmental Trust (MET) must enter into pay-for-success contracts for procurements related to a certain program. Senate Bill 737, lists DNR, MDA and MTE as "Designated Procurement Units". None of these units are "Designated Procurement Units". Currently, DNR, MDA and MET are required to bring procurements over \$50,000 to the DGS Office of State Procurement (OSP) as the designated procurement unit for these State Agencies. It appears that Senate Bill 737 is contradictory in allowing these agencies to conduct certain procurements, as they are not eligible to conduct procurements of this size. DGS suggests amending Senate Bill 737 to include DGS as an agency that may use this procurement method.

DGS notes that the Energy Performance Contract (EPC) program is also a performance-based program, outlined in State Finance and Procurement § 12-301. DGS is responsible for the contract management and procurements associated with this program. This statute was enacted in 1993 and DGS has had active contracts under it since then.

For additional information, contact Ellen Robertson at 410-260-2908.

