



February 7, 2022

TO: Members of the Budget and Taxation Committee  
FROM: Timothy Male, Executive Director, Environmental Policy Innovation Center  
POSITION: Supporting SB 348 – Conservation Finance Act

Dear Chair Guzzone, Vice Chair Rosapepe, and Members of the Committee,

We write to offer our strongest support for the Conservation Finance Act and hope that your committee and the legislature pass this bill this year.

The Environmental Policy Innovation Center (EPIC) is a 5-year-old nonprofit organization that develops and supports policy ideas that would dramatically increase the speed and scale of environment, climate and public health progress. Our largest program is focused on improving outcomes for disadvantaged communities from investment in drinking and wastewater infrastructure. This legislation has benefits for all of those goals.

Globally, private investment in environment and climate is happening on a scale that has never previously occurred, but this investment depends on the right government policies to make it possible. That is what this bill does – it tweaks Maryland’s policies to make it more likely that the state will attract private investment in ecological restoration, clean water, environmental justice, and climate progress.

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

**Climate** The bill makes carbon sequestration outcomes easier to procure by creating procurement authorities that allow state agencies to buy the outcome – carbon stored – from sequestration projects. It also pushes the state to learn more about carbon quantification tools by creating a deadline for at least one project to occur in state forest and marine habitats. 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. Other provisions make clear that the existence of a state contract for a different purpose should not get in the way of farmers, forest landowners, or others’ efforts to also be able to participate in voluntary or regulatory carbon market if there is an additional benefit from doing so. While the procurement change is the one that creates the most profound long-term opportunities to expand investment in Maryland climate solutions, they all help Maryland lean in on important climate solutions.

**Procurement** This legislation puts Maryland ahead of national efforts – and other states - in making our state the first state to adopt a definition of carbon, water quality and other environmental outcomes as a commodity, and creating procurement authorities to buy those outcomes. We have carried out reviews of this kind of procurement authority 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. For example, both Anne Arundel County and Prince George’s County have received national recognition for the use of this approach to contracting for water quality improvements. This legislation will make it easier to replicate the success of initiatives like these across state programs.

**Environmental Justice and Water Infrastructure** Congress and the Biden Administration have appropriated more than \$50 billion in water infrastructure funds for the next five years and Maryland will almost certainly receive at least \$700 million of these funds, mostly through two programs called the 'state revolving funds.' This legislation makes adjustments in these programs to make it easier to use them in Maryland in the same innovative ways that other states have been using the programs for wastewater, stormwater, and drinking water management and the removal of toxic lead water pipes. Installation of green infrastructure in disadvantaged communities, replacement of toxic lead water pipes, and watershed and forest protection would all become easier to finance. The bill also sets aside the small amount of this funding that Congress allowed to be used for technical assistance grants for burdened communities – by putting it into a dedicated sub-account within the funds, it will be easier for these communities and local advocates to secure grants to develop loan proposals, or otherwise plan and prioritize future projects that create health and other benefits. Spending the funding dedicated for lead pipe inventories and removal is a once-in-a-generation opportunity for Maryland to eliminate more than half of the estimated 500,000 lead pipes in Maryland.

### **Changes from last year**

We are extremely thankful to have had the chance to provide technical support to a House of Delegates working group in 2021 that carried out an extensive review of the 2021 draft of this bill and made a modest series of amendments that strengthen the bill. I've provided a more detailed summary of those changes in the attachment to this testimony. For example, the revisions add disadvantaged communities and nature-based green and blue infrastructure as priorities for the Maryland Department of Environment's Water Quality Revolving Loan Fund. Also, the changes eliminate areas of duplication with other pieces of legislation that passed in 2021.

### **Summary**

Since 2019, we have been working with private investors, Maryland businesses, nonprofits, and other on the core concepts in this legislation. We also spent dozens of hours in meetings with many career staff from Department of Transportation, Natural Resources, Agriculture, Environment, Maryland Environmental Trust, and the University of Maryland as well as members of the Bay Cabinet as they discussed the bill. Rounds of input from all these agencies and stakeholders are reflected in the budget-neutral bill before you, that if enacted, 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,



Timothy Male, PhD  
Executive Director  
Environmental Policy Innovation Center

The Conservation Finance Act of 2022 (HB 0653 / SB 0348) follows an earlier introduction of the legislation in 2021. The overwhelming focus of the bill is on actions that improve water quality, but the changes will also advance environmental justice and public health, expand initiatives around forest and agricultural soil carbon sequestration, and reward projects that deliver co-benefits like local jobs, flood risk reduction, or climate resilience. The following summarizes the modest differences incorporated into the bill in 2022 – all of these changes are to areas of code that were already being amended by the 2021 legislation.

**ARTICLE - ENVIRONMENT**

SECTION 5-509 INCENTIVES FOR HAZARDOUS DAM REMOVAL & REPAIR

- Associated with the removal of dams the state determines to be dangerous or in need of repair or removal adds “other environmental benefits” alongside ‘improving fish passage’ as a reason for MDE to prioritize a removal or repair project or the assignment of mitigation credit to it; clarifies that the list of hazardous or damaged dam structures that MDE forwards to the Industrial Development Financing Authority be only ones that aren’t important for fish passage and that could be suitable for small hydropower production (defined as less than 30 megawatts – the same definition elsewhere in state code)

SECTION 9-1601 DEFINITIONS

- Slightly modifies the definition of ‘blue infrastructure’ including adding floating wetlands and restored freshwater mussel populations to the list of examples that could as blue infrastructure.
- Slightly modifies the definition of ‘green infrastructure’ to explicitly include streams and wetlands alongside other examples of green infrastructure.

SECTION 9- 1605 WATER QUALITY REVOLVING LOAN FUND

- Amends a provision that allows Maryland’s Water Quality Revolving Loan Fund to be used in other states to only be allowable if proposed by a multi-government entity that includes Maryland as a member, that have been reviewed by the environment agency in the state in which projects would occur, and for which the allocation of water pollution reduction credits has been assigned by the MDE Secretary to a specific watershed implementation plan.
- Adds direction that when MDE creates an annual ‘intended use plan’ for the fund that it prioritizes assistance to disadvantaged communities and green and blue infrastructure projects, especially those focused on natural areas or natural features.

SECTION 1-110

SECTION 5-9A-05 MARYLAND ENVIRONMENTAL TRUST

SECTION 5-1607 AND 5-1610

SECTION 8-203.1 SUSQUEHANNA RIVER

SECTION 8-2A-03 AND SECTION 8-2A-04  
SECTION 8-2A-04 CHESAPEAKE 2010 TRUST FUND

- The bill eliminates language associated with forest carbon offsets similar to language that was already passed in legislation in 2021.
- Makes changes to proposed amendments to be more specific that credits from ecosystem services on a property under a MET easement could be used only to offset damage in a priority funding area or in a manner consistent with a local comprehensive plan and other state and local objectives.
- The bill makes no changes to these sections of code (i.e. all amendments removed) since related provisions were passed in 2021.
- The bill includes a new version of an authorization for DNR to use existing interstate agreement authorities to purchase environmental from long-term or permanent green or blue infrastructure projects in the Susquehanna River watershed that provide water quality benefits to Maryland; requires Maryland to consult with the host state for their support and agreement as to which watershed implementation plan would be credited for the purchased outcomes.
- The bill eliminates what had been a proposed name change of the 'BayStat Program' to the 'Bay Cabinet;' a single date is also updated from 2023 to 2024.
- Within an already proposed priority for multi-year projects under the Trust Fund, adds joint funding by FEMA for hazard risk mitigation as a reason to consider support.

**GREEN AND BLUE INFRASTRUCTURE POLICY ADVISORY COMMISSION**

SECTION 5- 1401

- Adds two nonprofit organizations and one representative of Morgan State University to the Commission.

**UNCODIFIED SECTION**

CREATION OF A TASK FORCE ON BEST ACCOUNTING PRACTICES FOR NATURAL CAPITAL

STUDY OF THE POTENTIAL FOR DIGITAL TECHNOLOGIES TO CONTRIBUTE TO CLIMATE SOLUTIONS AND BAY RESTORATION

- Adds two nonprofit organizations to the Task Force.
- Adds a new study, modelled after one being carried out by the federal Department of Energy associated with climate, to look at the potential for digital innovations like smart sensors and crowdsourcing to contribute to Maryland's climate and Bay goals.