



THE MARYLAND GENERAL ASSEMBLY
ANNAPOLIS, MARYLAND 21401

Office of Delegate Sara N. Love
210 Lowe House Office Building
6 Bladen Street
Annapolis, MD 21401

Office of Delegate Regina T. Boyce
316 Lowe House Office Building
6 Bladen Street
Annapolis, MD 21401

Re: HB 653 – Conservation Finance Act

February 14, 2022

Chair Barve, Vice-Chair Stein, and fellow members of the Environment and Transportation Committee:

We respectfully request a favorable report of HB 653, the Conservation Finance Act, to ensure that Maryland lays the groundwork for increased private investment and participation in our environmental restoration efforts and Chesapeake Bay clean-up goals.

Last session, under the leadership of Vice-Chair Rosapepe, similar legislation was introduced and passed unanimously by the Senate; given the late date by which it came to the House, we did not have time to adequately review it. As a result, over the interim, the Vice Chair led a work-group, including Delegates Love & Boyce, on this legislation to analyze and revise the legislation.

The product of that workgroup is what you have before you – legislation that would ensure that Maryland remains a leader in environmental restoration and conservation efforts. Today you will also hear from Jeff Eckle, the CEO of Hannon Armstrong, who specializes in environmental financing and Kim Coble from the Maryland League of Conservation Voters to discuss the importance of this legislation from the perspective of the environmental community. In addition, you can find written testimony from Tim Male who is an expert on this legislation but is unable to attend today's hearing. I have also attached his testimony below.

Meeting our Chesapeake Bay restoration goals will require an all-hands-on-deck approach. HB 653 leverages the power of the private sector community to improve water quality, 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, and climate resilience. It has the potential to bring unprecedented private-sector investment into this critical effort.

For the foregoing reasons, we respectfully request a favorable report of HB 653.

Sincerely,

Delegate Sara N. Love
Delegate Regina T. Boyce

February 16, 2022

TO: Members of the Environment and Transportation
FROM: Timothy Male, Executive Director, Environmental Policy Innovation Center
POSITION: Supporting HB 653 – Conservation Finance Act

Dear Chair Barve, Vice-Chair Stein, and fellow members of the Environment and Transportation 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, as well changes that were made to the legislation since last year:

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 the 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.

In summary, we have been working with private investors, Maryland businesses, nonprofits, and others on the core concepts in this legislation since 2019. We also spent dozens of hours in meetings with many career staff from the 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