

**Tuesday, March 26, 2024**

**TO:** Brian Feldman, Chair of the Senate Education, Energy and the Environment Committee, Guy Guzzone, Chair of the Senate Budget and Taxation Committee, and Committee Members

**FROM:** Michelle Dietz, The Nature Conservancy, Director of Government Relations; Cait Kerr, The Nature Conservancy, State Policy Manager

**POSITION:** Support HB 1266 Clean Water Commerce Account - Contracts for the Purchase of Environmental Outcomes

The Nature Conservancy (TNC) supports HB 1266 as amended, offered by Delegate Stein. In 2021, the General Assembly passed the Clean Water Commerce Act, which included the creation of a new Clean Water Commerce Account. This account was intended to be used to support environmental projects that reduce nutrient and sediment loads and support the achievement of Maryland's clean water goals. TNC supported the passage of this legislation.

One key feature of the Clean Water Commerce Act was a pay-for-success model, to be used by the Maryland Department of the Environment (MDE). The goal of this model was to require payments to approved contracts to be paid out equally over the life of the project rather than a more significant portion upfront. This has had the unintended consequence of increasing project costs, thus undermining the legislation's original intent.

HB 1266 will work to fix this issue. The legislation clarifies project payment schedules to align with common practices for pay-for-performance contracts. It will also allow MDE to make decisions to accept project proposals that are the most cost-effective. These adjustments to the Clean Water Commerce Act will allow for the implementation of the legislation to align with its intended purpose and outcomes.

TNC is dedicated to investing in practices that provide long-term nutrient reduction in Maryland. These practices not only reduce nutrients effectively but also provide critical co-benefits such as improved wildlife habitat, flood risk reduction, enhanced climate resilience, and real economic benefits to communities that rely upon the Bay. TNC has experience in Maryland and worldwide working with private finance to implement urgent conservation projects. HB 1266 will ensure that the contract process for the Clean Water Commerce Act will align with the intended goals of accelerating nutrient reduction and enhancing the participation of private finance to help meet Maryland's water quality goals.

TNC commends Delegate Stein for proposing these changes to the Clean Water Commerce Act and revitalizing the policy to incentivize innovative, cost-effective, equitable projects to help Maryland meet our Chesapeake Bay water quality goals.

**Therefore, we urge a favorable report on HB 1266.**