
Environmental Funding Sources

**Presentation to the Appropriations Committee,
Transportation and Environment Subcommittee**



January 28, 2026



Outline

- Operating vs. Capital Budget
- Fund Types
- Main Environmental Special Fund Sources
- Individual Fund Sources



Operating vs. Capital Budget

- **Operating**

- **Operating Budget** – one-year funding and one-year use
- **Cash** – general funds, special funds, federal funds, reimbursable funds
- **Timing** – funding available for one year

- **Capital**

- **Pay-as-you-go (PAYGO)**

- **Operating Budget** – one-year funding but multiple-year use
- **Cash** – all but reimbursable funds from above
- **Timing** – funding canceled if not encumbered within seven years of appropriation

- **Capital Budget**

- **Capital Budget** – multi-year funding plan
- **General Obligation (GO) Bonds** – funded on cash basis
- **Timing** – funding canceled if not encumbered within seven years of authorization



Fund Types

- **General Funds** – general tax revenues (sales and use tax, income tax, corporate income tax, etc.)
- **Special Funds** – fees authorized by legislation or regulation for project-specific work
- **Federal Funds** – allocations from a federal agency (also funding that goes directly to recipients and does not flow through the State budget) that may be spent over several years and that may require a match
- **Reimbursable Funds** – agreements both within agencies (between programs) and between agencies to use funding from the source agency, which is used as an accounting practice to not double count funding at the State level
- **GO Bonds** – taxable and non-taxable debt issuances by the Treasurer that fund capital projects (over \$100,000 value and greater than or equal to 15-year lifespan) on a cash-flow basis



Main Environmental Special Fund Sources

- **Bay Restoration Fund or Flush Tax**
 - Wastewater treatment plant upgrades and operations and maintenance grants
 - Septic system upgrades
 - Cover Crop Program
 - Clean Water Commerce Act
- **Chesapeake and Atlantic Coastal Bays 2010 Trust Fund – 2010 Trust Fund**
 - Competitive Natural Filters grants and grants for tree planting, Whole Watershed Act Fund, farmers, innovative technology
 - Cover Crop Program, Manure Transport Program, Conservation Reserve Enhancement Program
 - Administration, including soil conservation district staffing, and monitoring



Main Environmental Special Fund Sources (Cont.)

- **Strategic Energy Investment Fund**
 - Energy assistance
 - Energy efficiency
 - Renewable energy
 - Climate change
 - Renewable energy – owned by or benefit low- and moderate- income communities or overburdened or underserved communities



Main Environmental Special Fund Sources (Cont.)

- **Program Open Space (POS) or Transfer Tax**
 - POS State/Local//Greenspace Equity/Public Access and Heritage Conservation Fund
 - Maryland Heritage Areas Authority
 - Maryland Park Service/Forest Service
 - Rural Legacy Program
 - Capital Development (Natural Resources Development Fund, Critical Maintenance Program, Ocean City Beach Maintenance)
 - Maryland Agricultural Land Preservation Program



Bay Restoration Fund

- **Agencies**
 - Maryland Department of the Environment (MDE)
 - Maryland Department of Agriculture (MDA)
- **Revenues:** Users of drinking water, wastewater infrastructure, and septic systems pay \$60 per year. Commercial sector pays by volume of water use.
- **Policy Uses**
 - **Operating Budget:** originally used for wastewater treatment plant operation and maintenance grants; expanded to Clean Water Commerce Act
 - **PAYGO/Capital Budget:** originally used for wastewater treatment plant upgrades (Wastewater Account); and both septic system upgrades and MDA's Cover Crop Program (Septic Account); expanded Wastewater Account to other water quality infrastructure improvements



Bay Restoration Fund (Cont.)

- **Budgetary Uses:** Transfers to the General Fund in fiscal 2010 through 2012 repaid with GO bonds; transfer to the General Fund in fiscal 2027 (\$70 million) repaid with \$70 million in GO bonds over two years (fiscal 2027 – \$50 million and fiscal 2028 – \$20 million)
- **Balance:** Approximately \$161 million in cash balance (October 2025)
- **Comments:** The fee sunsets to half its current level on June 30, 2030. MDE has proposed using the fund to support wastewater treatment plants to a higher degree of treatment (3.0 mg/l nitrogen to 2.8 mg/l nitrogen) but will not do so if the fee sunsets as currently planned



Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

- **Agencies**

- Department of Natural Resources (DNR)
- MDE
- MDA
- University of Maryland
- Department of Information Technology

- **Revenues:** Short-term rental vehicle users tax and the gas tax

- **Policy Uses**

- **Operating Budget:** originally non-point source pollution reduction projects; expanded to Cover Crop Program, Soil Conservation District salaries, Tree Solutions Now Act, Whole Watershed Act Fund
- **PAYGO/Capital Budget:** some uses function as capital but are not budgeted as such



Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (Cont.)

- **Budgetary Uses:** transfers to the General Fund and defrays up to \$2.5 million for Tree Solutions Now Act and \$10.5 million in operating expenses per year beginning in fiscal 2026
- **Balance:** \$48.2 million (fiscal 2025 closing); \$23.2 million (estimated fiscal 2026 closing balance), \$11.2 million (estimated fiscal 2027 closing balance)
- **Comments:** Fee originally intended to be an impervious surface fee (“rain tax”)



2010 Trust Fund (Cont.)

Chesapeake and Atlantic Coastal Bays 2020 Trust Fund Planned Expenditures Fiscal 2025-2027 (\$ in Millions)

<u>Category/Activity</u>	<u>Agency</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Difference 2026-2027</u>
Starting Balance		\$47.4	\$48.2	\$23.2	-\$24.9
Revenue		67.9	65.6	64.4	-1.2
Accountability, Verification, and Management					
Strategic Monitoring and Assessment	DNR	\$0.4	\$0.6	\$0.6	\$0.0
Implementation Tracking	DNR/DoIT	0.2	0.2	0.2	0.0
Administration and Management (1.5%)	DNR	1.1	1.2	1.0	-0.2
Subtotal		\$1.7	\$1.9	\$1.7	-\$0.2
Accelerating Restoration Through Research and Development					
Innovative Technology Fund	DNR/UM	\$1.0	\$1.0	\$1.0	\$0.0
Targeted Pooled Monitoring	DNR	0.3	0.3	0.3	0.0
Subtotal		\$1.3	\$1.3	\$1.3	\$0.0



2010 Trust Fund (Cont.)

<u>Category/Activity</u>	<u>Agency</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Difference 2026-2027</u>
Implementation Technical Assistance					
Agricultural Technical Assistance	MDA	\$6.3	\$6.6	\$6.6	\$0.0
Stormwater Management Permit Expeditors	MDE	0.9	0.9	0.9	0.0
Field Restoration Specialists	DNR	0.9	0.9	0.9	\$0.0
Tree Solutions Now Coordinator	MDE	0.2	0.2	0.2	0.0
Subtotal		\$8.2	\$8.5	\$8.5	\$0.0
Non-point Source Pollution Control Projects					
Cover Crop Program	MDA	\$11.3	\$11.3	\$11.3	\$0.0
Conservation Reserve Enhancement Program Bonus Payments	MDA	0.5	0.5	0.5	0.0
Grants to Farmers	MDA	3.0	3.0	3.0	\$0.0
Manure Transport Program	MDA	1.8	1.8	1.8	0.0
Competitive Grant Program	DNR	35.9	35.7	23.0	-\$12.7
Natural Filters on Public Lands	DNR	6.0	6.0	6.0	0.0
Tree Solutions Now Act Tree Plantings	DNR	2.5	2.5	2.5	\$0.0
Tree Solutions Now Forest Service Staffing	DNR	1.0	1.0	1.0	0.0
Adaptive Management and Maintenance (2%)	DNR	1.4	1.5	1.3	-\$0.3
Subtotal		\$63.3	\$63.3	\$50.3	-\$13.0



2010 Trust Fund (Cont.)

<u>Category/Activity</u>	<u>Agency</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Difference 2026-2027</u>
Additional Allocations					
Whole Watershed Fund per Whole Watershed Act	DNR	\$0.0	\$5.0	\$5.0	\$0.0
DNR Administrative Operating Expenses General Fund Swap (BRFA)	DNR	0.0	8.4	7.4	-1.0
DNR Watershed and Climate Services General Fund Swap (BRFA)	DNR	2.6	2.1	2.1	\$0.0
Subtotal		\$2.6	\$15.5	\$14.5	-\$1.0
Total		\$77.1	\$90.5	\$76.4	-\$14.1

BRFA: Budget Reconciliation and Financing Act
 DNR: Department of Natural Resources
 DoIT: Department of Information Technology
 MDA: Maryland Department of Agriculture
 MDE: Maryland Department of the Environment
 UM: University of Maryland



Strategic Energy Investment Fund

- **Agencies**

- Maryland Energy Administration (MEA)
- MDE
- DNR
- Department of Housing and Community Development (DHCD)
- Department of General Services (DGS)
- Higher Education
- Maryland Clean Energy Center
- Department of Budget and Management (DBM)
- Department of Human Services (DHS)
- Maryland Department of Emergency Management (MDEM)
- Public Service Commission (PSC)
- Maryland Department of Transportation (MDOT)

- **Revenues:** Regional Greenhouse Gas Initiative carbon dioxide allowance auctions to utilities; Renewable Portfolio Standard alternative compliance payments (ACP)



Strategic Energy Investment Fund (Cont.)

- **Policy Uses**

- **Operating Budget:** Originally clean energy programs (MEA), climate programs (MDE), bill assistance/rate relief (DHS), low/moderate-income housing retrofits (DHCD), and State building energy conservation (DGS); expanded to Maryland Clean Energy Center, State fleet chargers (DBM/DGS), support for education (Higher Education), Air and Radiation Administration operating costs (MDE), Power Plant Research Program (DNR), resiliency efforts (MDEM), grid enhancement (PSC), and transmission infrastructure (MDOT)
- **PAYGO/Capital Budget:** There are several uses of PAYGO in the fiscal 2027 allowance (facilities renewal, MDE comprehensive flood management, Higher Education projects)

- **Budgetary Uses:** Transfers to the General Fund and defrays operating expenses throughout the budget in fiscal 2026 and 2027
- **Balance:** Estimated fiscal 2027 end-of-year balance of \$163.9 million
- **Comments:** Revenues go into allocated categories, but there is flexibility in how it is spent. Auction revenues and ACP revenues have increased over time



Strategic Energy Investment Fund (Cont.)

RGGI AUCTION REVENUE ALLOCATION		FY 2025	FY 2026	FY 2027
		Actual	Appropriation	Allowance
Tax Credits, Dues, & Transfers	Zero Emission Vehicle Excise Tax Credits	8,250,000	8,250,000	8,250,000
	Maryland Department of the Environment - Air and Radiation Administration (less RGGI, Inc. Dues)	10,488,399	9,884,026	8,926,347
	RGGI, Inc. Dues	400,000	400,000	779,503
	Maryland Energy Administration - Medium/Heavy Duty Zero Emission Vehicle Grants	7,890,065	10,000,000	10,000,000
	Department of Natural Resources - Power Plant Research Program	-	-	5,794,398
	Maryland Energy Innovation Fund	2,100,000	2,100,000	2,100,000
	Energy Assistance	Department of Human Services	96,602,615	160,094,684
Low and Moderate Income Energy Efficiency	Maryland Energy Administration	11,281,950	17,246,905	34,996,905
	Department of Housing and Community Development	-	-	10,000,000
	FY 2025 Transfer to Dedicated Purpose Account	2,300,000	-	-
Energy Efficiency in All Sectors	Maryland Energy Administration	10,235,833	42,799,085	40,799,085
	Department of General Services - Office of Design, Construction and Energy	3,805,501	2,999,546	3,037,843
	Department of General Services - Facilities Renewal Fund - PAYGO	-	-	3,500,000
	Support for State Operated Institutions for Higher Education - PAYGO	-	27,000,000	17,015,000
	FY 2025 Transfer to Dedicated Purpose Account	2,300,000	-	-
Renewable Energy, Climate Change	Maryland Energy Administration (less MCEC and Medium/Heavy Duty ZEV Grants)	48,801,920	39,374,386	74,226,250
	Maryland Clean Energy Center - Climate Technology Founder's Fund	-	3,400,000	1,200,000
	Maryland Clean Energy Center - Climate Catalytic Capital Fund	-	-	5,000,000
	Maryland Department of the Environment - PAYGO	-	-	9,485,000
	Maryland Department of the Environment - Emergency and Support Services	-	-	183,237
	State Fleet Electric Vehicle Program - DBM	767,331	1,250,000	1,250,000
	State Fleet Electric Vehicle Chargers - DGS	1,000,000	2,000,000	2,000,000



Strategic Energy Investment Fund (Cont.)

RGGI AUCTION REVENUE ALLOCATION - Continued		FY 2025 Actual	FY 2026 Appropriation	FY 2027 Allowance
	DGS - Office of Design, Construction and Energy (less State Fleet EV Chargers)	-	1,200,000	1,490,672
	Maryland Department of Labor	1,000,000	-	-
	Interagency Commission on School Construction	-	1,000,000	-
	Support for State Operated Institutions for Higher Education - PAYGO	-	5,000,000	-
Renewable Energy, Climate Change	Governor's Office - Chief Sustainability Officer	242,423	227,825	234,405
	Board of Public Works	7,500,000	11,500,000	11,500,000
	Comptroller of Maryland	-	270,000	325,051
	Department of Housing and Community Development	-	-	12,191,321
	Maryland Department of Emergency Management	-	400,000	1,470,113
	Maryland Department of Planning	-	-	136,591
	FY 2025 Transfer to Dedicated Purpose Account	2,300,000	-	-
Administration	Maryland Energy Administration	8,517,699	9,180,643	9,626,700
	FY 2025 Transfer to Dedicated Purpose Account	40,000,000	-	-
	FY 2027 Transfer to the General Fund	-	-	33,000,000
Total:		\$265,783,736	\$355,577,100	\$468,518,421

Note: Agency expenditures may not reconcile to RGGI Auction revenue allocations due to timing of expenditures. FY 2027 allowance and FY 2026 appropriation utilizes "over-attainment" from prior years.



Strategic Energy Investment Fund (Cont.)

Alternative Compliance Payment Expenditures Fiscal 2026-2027

	<u>2026</u>	<u>2027</u>	<u>Difference</u>
Support Creation of New Tier 1 Renewable Energy Sources (Fiscal 2027 through 2031)			
Maryland Energy Administration Expanded Use	\$50,000,000	\$100,000,000	\$50,000,000
Department of General Services	0	20,000,000	20,000,000
Subtotal	\$50,000,000	\$120,000,000	\$70,000,000
Do Not Necessarily Support Creation of New Tier I Renewable Energy Sources			
Public Service Commission	\$200,000,000	\$100,000,000	-\$100,000,000
Maryland Energy Administration Other	98,000,000	98,000,000	0
Maryland Department of Transportation	50,000,000	10,000,000	-40,000,000
Higher Education Research Fund	0	42,000,000	42,000,000
Energy Resource Adequacy and Planning Act	0	25,000,000	25,000,000
Grid Enhancement	0	15,000,000	15,000,000
Subtotal	\$348,000,000	\$290,000,000	-\$58,000,000
Total	\$398,000,000	\$312,000,000	-\$86,000,000

Note: Fiscal 2027 accounts for contingent appropriations totaling \$312.0 million.



Program Open Space

- **Agencies**
 - DNR
 - Maryland Department of Planning (MDP) (Maryland Historical Trust)
 - MDA
 - DGS
- **Revenues:** 0.5% consideration for transfer of real property (State transfer tax)
- **Policy Uses**
 - **Operating Budget:** originally land acquisition and capital project oversight (DGS); expanded to Maryland Park Service/Forest Service (DNR) and both Maryland Heritage Areas Authority and Jefferson Patterson Park and Museum (MDP)
 - **PAYGO/Capital Budget:** originally POS (State), POS (Local), Rural Legacy Program, Maryland Agricultural Land Preservation Program; expanded to POS Greenspace Equity Program and Public Access

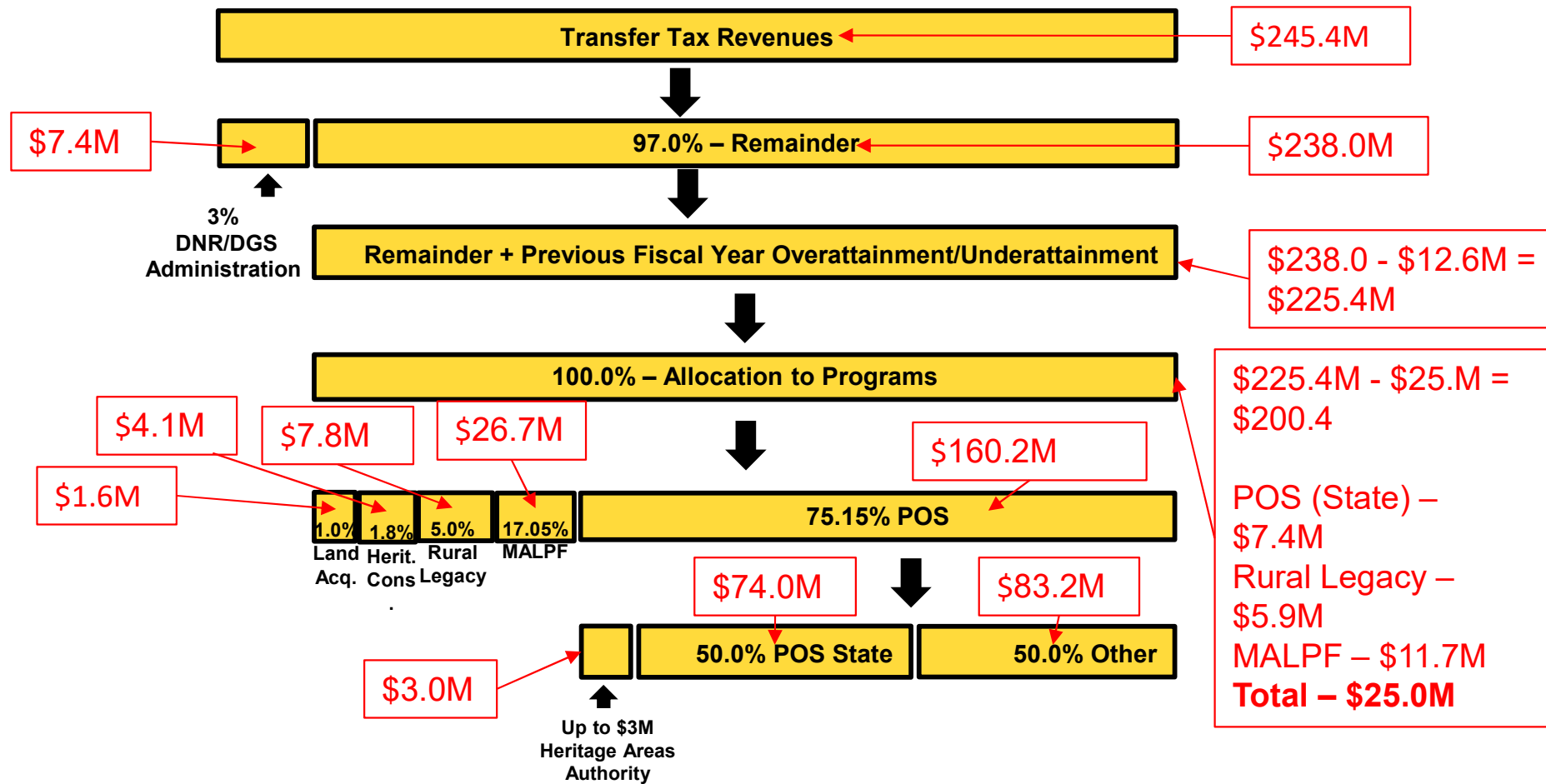


Program Open Space (Cont.)

- **Budgetary Uses:** Transfers of revenue and balances to the General Fund of approximately \$1.0 billion with approximately \$0.7 billion repayment through fiscal 2018; defraying Maryland Park Service operating expenses (\$34.5 million in fiscal 2027); currently allocating \$25.0 million per year to the General Fund through fiscal 2029 and will replace \$71.9 million with GO bonds in fiscal 2027
- **Balance:** POS (State) and POS (Local) approximately \$120 million cash balances each (September 2025)
- **Comments:** Revenues go into the fund and then are appropriated based on a formula with some discretion

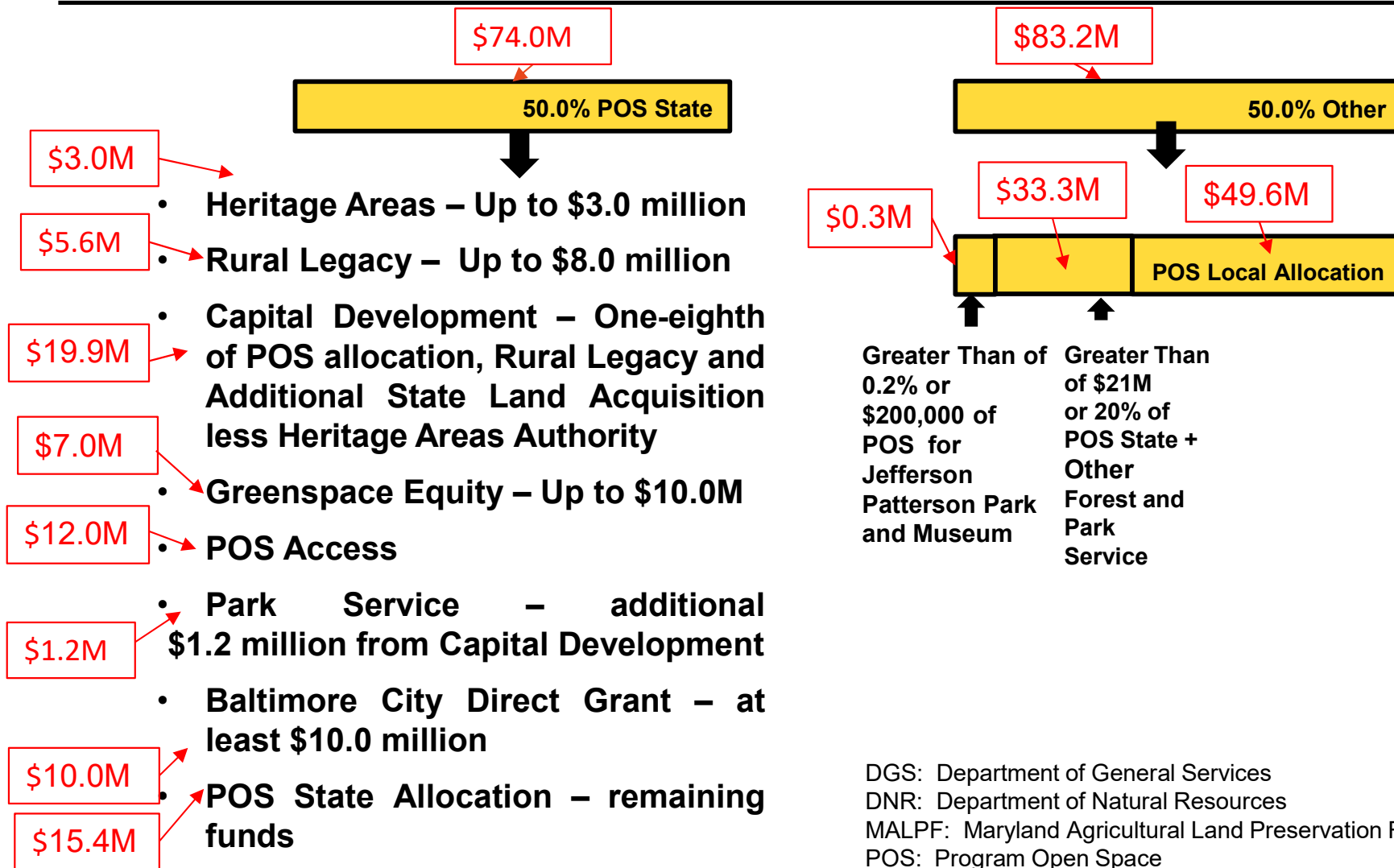


Transfer Tax Formula (Fiscal 2027 Example)





Transfer Tax Formula (Fiscal 2027 Example)



DGS: Department of General Services
 DNR: Department of Natural Resources
 MALPF: Maryland Agricultural Land Preservation Foundation
 POS: Program Open Space

Source: Department of Budget and Management and Department of Legislative Services