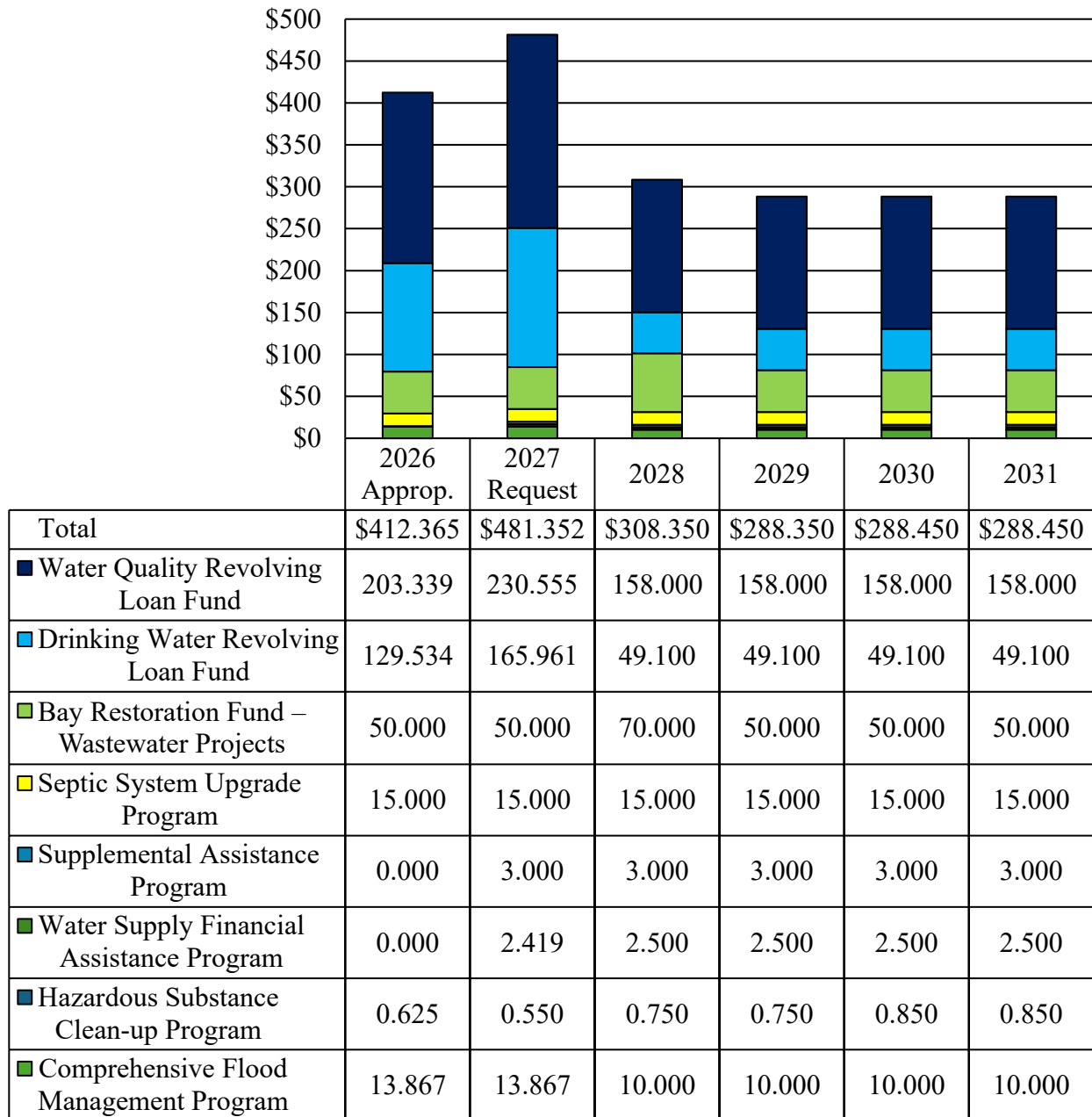


U00*
Department of the Environment – Capital

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
(\$ in Millions)



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Key Observations

- ***Infrastructure Investment and Jobs Act (IIJA) Funding:*** The Maryland Department of the Environment (MDE) did not receive any applications for federal IIJA funding in fiscal 2027 for emerging contaminants in the Water Quality Revolving Loan Fund (WQRLF). Therefore, the \$10.6 million in emerging contaminants funding is being shifted to the Drinking Water Revolving Loan Fund (DWRLF). The IIJA lead service line funding was announced in December 2025. MDE’s fiscal 2027 budget includes \$43.5 million for lead service line funding but proposes to use \$41.3 million for projects and \$2.3 million for administrative expenses. There are ongoing concerns about whether MDE will be able to use the majority of the funding for replacement as opposed to addressing existing infrastructure. MDE is not anticipated to receive new IIJA funding after fiscal 2027.
- ***Bay Restoration Fund (BRF) Transfer to the General Fund:*** The Budget Reconciliation and Financing Act (BRFA) of 2026 transfers \$70.0 million of the revenues under the BRF that would go to wastewater projects and replaces the funding with \$50.0 million in general obligation (GO) bonds in fiscal 2027 and programs \$20.0 million for fiscal 2028 in the 2026 *Capital Improvement Program (CIP)*. Therefore, while the source of funding shifts, the fiscal 2027 authorization of \$50.0 million in GO bonds is the same amount as was programmed in the 2025 CIP for fiscal 2027.
- ***BRF Revenues Still Varying; Revenue Bond Rating Downgraded; New Refinement Projects Proposed:*** BRF revenues still have not stabilized. While the majority of the variation is due to the timing of the receipt of revenues, there are still concerns about the timeliness and detail of the Comptroller’s BRF revenue reporting. Moody’s Ratings announced in May 2025 that they downgraded the BRF revenues issued by MDE from Aa2 to Aa3, reversing an upgrade that occurred in September 2024. MDE estimates that the cost of the enhanced nutrient removal (ENR) refinement upgrades is estimated to be close to \$900 million, which will not be affordable if the BRF fee sunsets to half its current amount in June 2030, as currently planned in statute.
- ***Comprehensive Flood Management Grant Program Funded with Strategic Energy Investment Funds (SEIF):*** The Comprehensive Flood Management Grant Program’s fiscal 2027 appropriation includes \$4.4 million in GO bonds and \$9.5 million in special funds supported by the SEIF. SEIF special funds reflect funding for projects that will increase resilience to climate change. MDE’s Comprehensive Flood Management Grant Program’s fiscal 2027 special fund appropriation of \$9.5 million is contingent on the BRFA of 2026 expanding the allowable uses of the SEIF.

PAYGO Recommended Actions

1. Concur with Governor’s allowance.

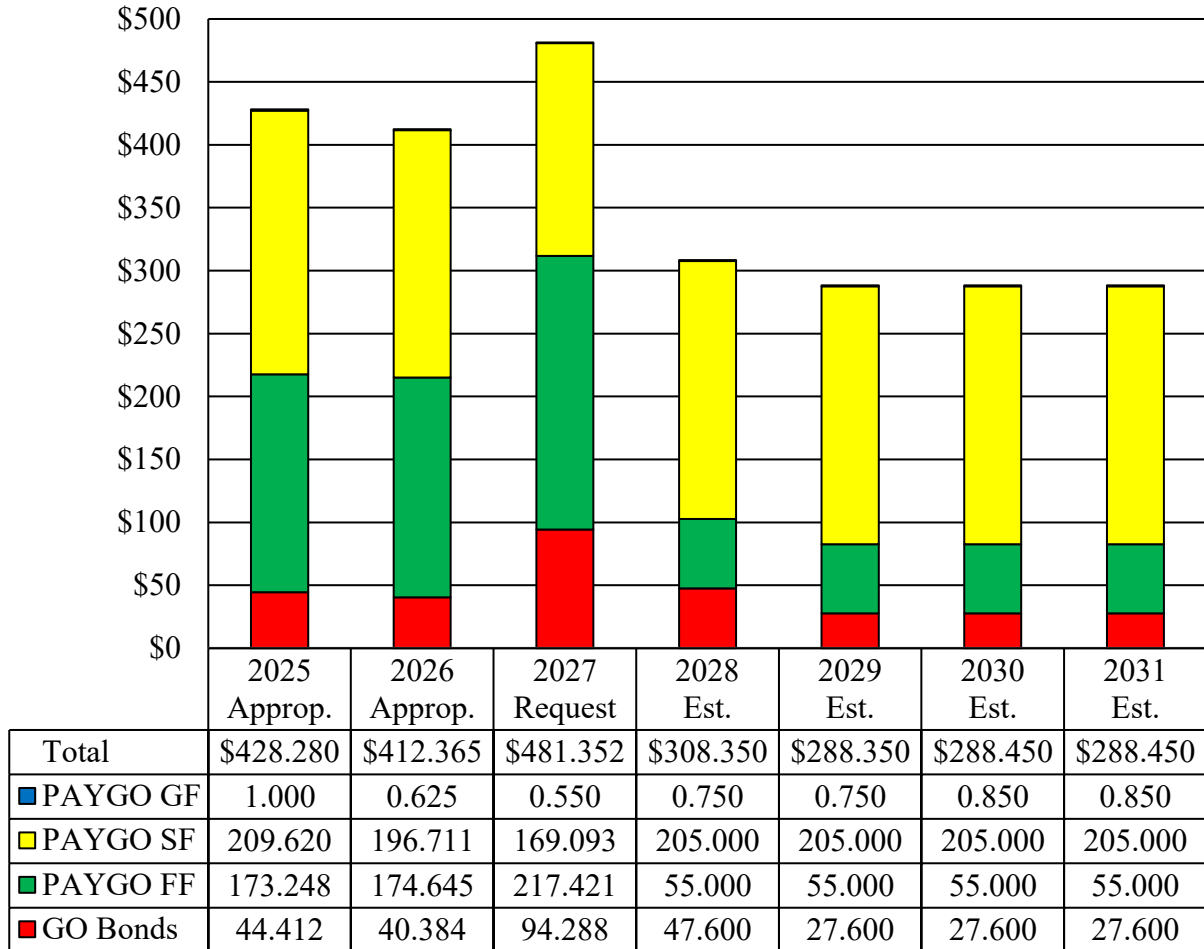
GO Bond Recommended Actions

1. Approve all authorizations for the Maryland Department of the Environment.

Budget Overview of Grant and Loan Programs

The MDE fiscal 2027 capital program totals \$481.4 million, \$69.0 million more than fiscal 2026, and is comprised of \$0.6 million in general funds, \$169.1 million in special funds, \$217.4 million in federal funds, and \$94.3 million in GO bonds. As shown in **Exhibit 1**, MDE’s overall available capital funding peaks at \$481.4 million in fiscal 2027, and then subsequently decreases with the projected end of the federal IJA funding budgeted in the WQRLF and the DWRLF. With the exception of GO bond replacement funding for BRF – Wastewater projects in fiscal 2027 (\$50.0 million) and fiscal 2028 (\$20.0 million), the GO bond authorization level is fairly steady through fiscal 2031. The special fund appropriation is reduced in fiscal 2027 due to the GO bond replacement of BRF special funds but then is steady through fiscal 2031. General funds grow slowly for the Hazardous Substance Clean-Up Program.

Exhibit 1
MDE Capital Programs Funding – Fiscal 2027 Request by Fund Source
Fiscal 2025-2031 Est.
(\$ in Millions)



FF: federal funds
 GF: general funds
 GO: general obligation

MDE: Maryland Department of the Environment
 PAYGO: pay-as-you-go
 SF: special funds

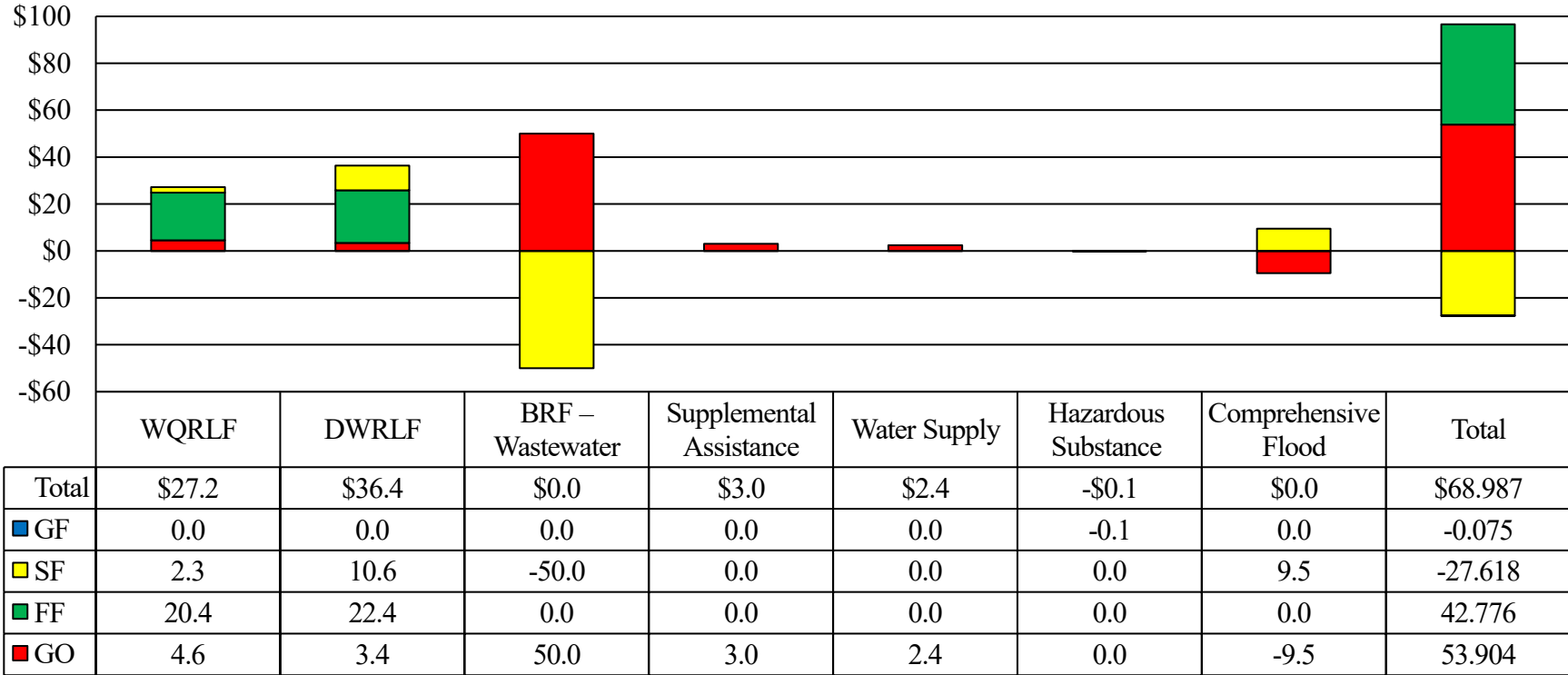
Note: The fiscal 2027 appropriation includes \$9.5 million in special funds for the Comprehensive Flood Management Grant Program contingent on a provision in the Budget Reconciliation and Financing Act (BRFA) of 2026 expanding the allowable uses of the Strategic Energy Investment Fund. In addition, the BRFA of 2026 transfers \$70.0 million of the revenues under the Bay Restoration Fund that would go to wastewater projects and replaces the funding with \$50.0 million in GO bonds in fiscal 2027 and programs \$20.0 million for fiscal 2028.

Source: Department of Budget and Management

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Exhibit 2 illustrates MDE’s capital programs with changes between fiscal 2026 and 2027. The majority of the changes are due to federal capitalization funds flowing to the WQRLF and the DWRLF, which necessitate higher GO bond matching levels and allow for more revolving special funds. The Supplemental Assistance Program and the Water Supply Financial Assistance Program receive funding in fiscal 2027 after a one-year hiatus that reflected the availability of loan forgiveness under the WQRLF and the DWRLF, respectively. In addition, there are funding swaps for BRF – Wastewater projects, which receive GO bond funding instead of BRF special funds in fiscal 2027 and the replacement of Comprehensive Flood Management Program GO bonds with SEIF special funds. The one program that does not have a funding change is the Septic System Upgrade program, which remains at \$15.0 million.

Exhibit 2
Maryland Department of the Environment Capital Funding Changes
Fiscal 2026-2027
(\$ in Millions)



Note: The BRF – Septic Systems program is not reflected because there are no funding changes between fiscal 2026 and 2027.

BRF: Bay Restoration Fund

DWRLF: Drinking Water Revolving Loan Fund

FF: federal funds

GF: general funds

GO: general obligation funds

SF: special funds

WQRLF: Water Quality Revolving Loan Fund

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

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The detailed differences are as follows:

- **GO Bonds:** \$53.9 million increase in GO bonds, including \$50.0 million for BRF – Wastewater projects, \$4.6 million for the WQRLF, \$3.4 million for the DWRLF, \$3.0 million for the Supplemental Assistance Program, and \$2.4 million for the Water Supply Financial Assistance Program, which is offset partially by a decrease of \$9.5 million for the Comprehensive Flood Management Program;
- **Federal Funds:** \$42.8 million increase in federal funds, including capitalization funding of \$22.4 million for the DWRLF and \$20.4 million for the WQRLF;
- **Special Funds:** \$27.6 million decrease in special funds, including \$50.0 million less for BRF – Wastewater projects, with increases of \$10.6 million for the DWRLF, \$9.5 million for the Comprehensive Flood Management Program, and \$2.3 million for the WQRLF.
- **General Funds:** \$0.1 million decrease in general funds for the Hazardous Substance Clean-Up Program.

Water Quality Revolving Loan Fund

Program Description: The WQRLF was created to provide low-interest loans to counties and municipalities to finance water quality improvement projects. Projects eligible for funding include wastewater treatment plants (WWTP), failing septic systems, and nonpoint source projects, such as urban stormwater control projects.

Fund Sources:						
(\$ in Millions)	2026 Approp.	2027 Request	2028	2029	2030	2031
SF	\$110.713	\$113.012	\$110.000	\$110.000	\$110.000	\$110.000
FF	77.597	97.952	40.000	40.000	40.000	40.000
GO Bonds	15.029	19.591	8.000	8.000	8.000	8.000
Total	\$203.339	\$230.555	\$158.000	\$158.000	\$158.000	\$158.000

Fund Uses:					
(\$ in Millions)	Est. Cost	Prior Auth.	2027 Request	Future Request	Total State Share
Montgomery County MS4 Permit – Water Quality Improvement Projects (Montgomery)	\$46.224	\$0.000	\$25.000	\$0.000	54.1%
Ellicott City North Tunnel Extension Project (Howard)	237.352	68.670	22.951	0.000	38.6%

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Fund Uses:					
(\$ in Millions)	Est. Cost	Prior Auth.	2027 Request	Future Request	Total State Share
Manchester Wastewater Treatment Plant Enhanced Nutrient Removal Upgrade (Carroll)	51.951	0.000	17.000	0.000	32.7%
Effluent Filter Rehabilitation at Back River Wastewater Treatment Plant (SC-1037) (Baltimore City)	93.009	0.000	14.301	0.000	15.4%
Effluent Filter Rehabilitation at Back River Wastewater Treatment Plant (SC-1037) (Baltimore County)	93.009	0.000	14.300	0.000	15.4%
Herring Run Sewershed Inflow and Infiltration Reduction – Project 01 (SC-1005) (Baltimore City)	38.302	0.000	12.516	0.000	32.7%
Princess Anne Wastewater Treatment Plant Enhanced Nutrient Removal Upgrade (Somerset)	19.202	0.000	12.202	0.000	63.5%
Parkway Water Resource Recovery Facility and Electrical Upgrades (Prince George’s)	80.116	0.000	11.205	0.000	14.0%
Centreville Wastewater Treatment Plant Expansion (Extension) (Queen Anne’s)	19.295	0.000	10.440	0.000	54.1%
Trunk Sewer Reconstruction Program (Regional)	55.016	0.000	10.027	0.000	18.2%
Ellicott City Flood Mitigation Pond T-1 (Howard)	62.000	0.000	10.000	0.000	16.1%
Prince George’s County – Port Towns Watershed Restoration Initiative (Prince George’s)	26.856	0.000	10.000	0.000	37.2%
Denton Wastewater Treatment Plant Sludge Process Updates (Caroline)	8.912	0.000	8.912	0.000	100.0%
Wicomico County Septic Elimination and Salisbury Sewer Extension Project (Wicomico)	8.577	0.000	8.569	0.000	99.9%
Western Branch Water Resource Recovery Facility Process Train Improvements (Prince George’s)	95.110	0.000	8.500	0.000	8.9%

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Fund Uses:					
(\$ in Millions)	Est. Cost	Prior Auth.	2027 Request	Future Request	Total State Share
Vienna Wastewater Treatment Plant Enhanced Nutrient Removal Upgrade (Dorchester)	12.433	0.000	8.400	0.000	67.6%
Remaining Projects	146.212	27.345	26.234	0.000	Varies
Total	\$1,093.577	\$96.015	\$230.555	\$0.000	

- Changes:** The fiscal 2027 budget reflects \$19.6 million more than the amount planned for fiscal 2027 in the 2025 CIP. The increase is due to the federal fiscal 2027 continuing resolution removing funding that was being used for congressional earmarks. The State match will be funded with GO bonds, which is programmed in the CIP to continue through fiscal 2031. The State match is \$19.6 million and is comprised of \$7.7 million for the 20% match for the base grant and \$11.9 million for the 20% match for the IJJA general supplemental funding. **Exhibit 3** shows the budgeted federal State match for MDE’s pay-as-you-go (PAYGO)/capital budget. The budget provides \$98.0 million of federal funds, of which \$59.6 million is attributable to the IJJA. MDE did not receive any applications for the \$10.6 million in IJJA emerging contaminants funding in fiscal 2027 and that funding was transferred to the DWRLF.

**Exhibit 3
Water Quality Revolving Loan Fund Funding
Fiscal 2027
(\$ in Millions)**

	<u>PAYGO/Capital</u>	<u>Note</u>
Federal		
Base Grant	\$38.4	Match requirement.
IJJA General Supplemental	59.6	Match requirement. 49% required as subsidy.
Total	\$98.0	
State Match (GO Bonds)		
Base Grant (20%)	\$7.7	
IJJA General Supplemental (20%)	11.9	
Total	\$19.6	

GO: general obligation

PAYGO: pay-as-you-go

IJJA: Infrastructure Investment and Jobs Act

Source: Department of Budget and Management

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- **Encumbrances and Expenditures:** The WQRLF average encumbrance levels between fiscal 2022 and 2025 were \$41.8 million, which did not keep pace with the \$203.3 million average appropriations during the same period. This is partially explained by the federal funding levels being elevated due to IJJA funding. Other reasons could include MDE administrative issues, the lack of ready-to-proceed projects, or delays in local government encumbrance of funding. **MDE should comment on how it can accelerate grant and loan encumbrance activity such that it matches the demonstrated water quality infrastructure need.**
- **Concerns:** Funding requests are not in line with emerging contaminants policy. As shown in Exhibit 3, the budget does not include any federal IJJA funding in fiscal 2027 to address emerging contaminants, such as perfluoroalkyl and polyfluoroalkyl substances (PFAS). Chapters 556 and 557 of 2024 place additional requirements on MDE, publicly owned treatment works, and significant industrial users to address PFAS contamination by developing mitigation plans for addressing in pretreatment permits PFAS contamination from industrial discharge. However, this requirement does not appear to have spurred any applications for federal IJJA emerging contaminants funding in fiscal 2027. **MDE should comment on why no funding requests were made for fiscal 2027, despite the PFAS mitigation plan requirements in Chapters 556 and 557, the overall need for emerging contaminants funding going forward, and the end of IJJA emerging contaminants funding.**
- **Other Comments:** The budget funds 24 projects serving 15 jurisdictions plus 1 regional project and includes \$59.6 million of federal IJJA funding. Fiscal 2027 is the last year that MDE anticipates receiving new IJJA funding, which increased the federal funding for the WQRLF from fiscal 2023 through 2027.

Drinking Water Revolving Loan Fund

Program Description: The DWRLF was established in accordance with a federal capitalization grant approved by the U.S. Congress in calendar 1996 in anticipation of future federal capitalization grants. This program was authorized by the General Assembly to provide loans to counties and municipalities to finance water supply improvements and upgrades. In accordance with federal law, these funds may also be loaned to private parties.

Fund Sources:						
(\$ in Millions)	2026 Approp.	2027 Request	2028	2029	2030	2031
SF	\$20.998	\$31.596	\$30.000	\$30.000	\$30.000	\$30.000
FF	97.048	119.469	15.000	15.000	15.000	15.000
GO Bonds	11.488	14.896	4.100	4.100	4.100	4.100
Total	\$129.534	\$165.961	\$49.100	\$49.100	\$49.100	\$49.100

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Fund Uses (\$ in Millions):					
Project (Jurisdiction)	Est. Cost	Prior Auth.	2027 Request	Future Request	Total State Share
Unallocated Federal Funds – Lead Service Lines (Statewide)	\$43.521	\$0.000	\$43.521	\$0.000	100.0%
Paleo Water Treatment Plant Filter Replacement and Supervisory Control and Data Acquisition Upgrades (Wicomico)	16.457	0.000	16.160	0.000	98.2%
Westminster Water Reuse Project (Carroll)	28.711	0.000	16.001	0.000	55.7%
Paleo Water Treatment Plant – Emerging Contaminants Remediation (Wicomico)	18.390	0.000	8.500	0.000	46.2%
Winters Run Water Treatment Plant Emerging Contaminants Treatment (Harford)	15.100	0.000	8.271	0.000	54.8%
Hampstead Emerging Contaminants Treatment/Centralization Project (Carroll)	30.844	0.000	8.157	0.000	26.4%
Carderock Springs Water Main Replacement (Montgomery)	8.125	0.000	8.125	0.000	100.0%
West Nottingham Academy Water Extension (Cecil)	6.708	0.000	6.708	0.000	100.0%
Chesapeake Heights Distribution Replacement Project (Calvert)	6.179	0.000	6.000	0.000	97.1%
Remaining Projects	61.298	0.000	44.517	0.000	Varies
Total	\$235.333	\$0.000	\$165.961	\$0.000	

- Changes:** The fiscal 2027 budget provides an increase of \$36.4 million relative to fiscal 2026 and increases by \$39.8 million relative to the amount planned for fiscal 2027 in the 2025 CIP. The increase is attributable to the availability of additional federal funds, including \$43.5 million in IJA lead service line funding and \$10.6 million in IJA emerging contaminants funding that is being transferred from the WQRLF federal appropriation. Of note, MDE is not budgeting the full amount of federal funding that it has been appropriated. Therefore, the match amounts do not correspond to the total available funding. **Exhibit 4** shows the federal funding and matching State funding for MDE’s operating and PAYGO/capital budgets. The operating funding reflects funding that is available but not necessarily budgeted in fiscal 2027. The budget provides \$119.5 million in federal funds, of which \$103.8 million is attributable to the IJA. These funds are comprised of \$15.7 million for the base grant, \$37.8 million for IJA general supplemental funding, \$10.6 million for IJA emerging contaminants from the WQRLF, \$43.5 million for IJA lead service line work, and \$11.9 million for small or disadvantaged

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communities – emerging contaminants. The \$43.5 million for IJJA lead service line work was only identified in December 2025 and as a result, some changes have been proposed for its use. The plan is to use \$41.3 million in MDE’s PAYGO/capital budget for projects, leaving \$2.3 million available for MDE’s operating budget. The State match is calculated using 20% of the base grant and IJJA general supplemental funding.

**Exhibit 4
Drinking Water Revolving Loan Fund Funding
Fiscal 2027
(\$ in Millions)**

	<u>Operating</u>	<u>PAYGO/ Capital</u>	<u>Total</u>	<u>Note</u>
Federal				
Base Grant	\$0.0	\$15.7	\$15.7	Match requirement.
IJJA General Supplemental	21.0	37.8	58.8	Match requirement. 49% required as subsidy.
IJJA Emerging Contaminants	16.4	10.6	26.9	100% required as subsidy.
IJJA Lead Service Line	2.3	41.3	43.5	49% required as subsidy.
Small or Disadvantaged Communities – Emerging Contaminants	0	11.9	11.9	
Total	\$39.6	\$117.2	\$156.8	
State Match (GO Bonds)				
Base Grant (20%)	\$0.0	\$3.1	\$3.1	
IJJA General Supplemental (20%)	0.0	11.8	11.8	
Total	\$0.0	\$14.9	\$14.9	

GO: general obligation

PAYGO: pay-as-you-go

IJJA: Infrastructure Investment and Jobs Act

Note: Maryland Department of the Environment’s (MDE) federal fund capitalization appropriation reflects the funding need and not the actual federal fund authorization, and the operating funding is not necessarily budgeted in fiscal 2027. The Base Grant is \$27,292,800, which means that \$11,599,440 is available for operating set-aside activities but is not actually being matched in fiscal 2027. The IJJA General Supplemental funding is \$62,078,400, but only \$58,786,640 is being matched, meaning there is \$3,291,760 in available funding that is not being matched. The IJJA Lead Service Line funding totals \$43,521,000 in MDE’s PAYGO/capital budget, but only \$41,257,625 will be used for projects, and the remaining \$2,263,375 will be used for administrative expenses. The \$10,553,000 in PAYGO/Capital funding for IJJA Emerging Contaminants is funding that will be transferred from the Water Quality Revolving Loan Fund for 100% project funding.

Source: Department of Budget and Management

- ***Encumbrances and Expenditures:*** The DWRLF average encumbrance levels between fiscal 2022 and 2025 were \$10.7 million, which did not keep pace with the \$104.6 million average appropriations during the same period. This is partially explained by the federal funding levels being elevated due to IJA funding. Other reasons could include MDE administrative issues, the lack of ready-to-proceed projects, or delays in local government encumbrance of funding. **MDE should comment on why the encumbrance levels peaked in fiscal 2021 and then declined for the fiscal 2022 to 2025 time period. MDE should also comment on, in general, the project readiness to proceed for selected projects given the low encumbrance levels, whether there is any distinction between loan and subsidy recipients in terms of the associated level of timely encumbrance activity, and what technical assistance or process changes that MDE or other State agencies could effectuate to help local jurisdictions encumber funds in a timely manner.**
- ***Performance Measures:*** The U.S. Environmental Protection Agency (EPA) *7th Drinking Water Infrastructure Needs Survey and Assessment* was reported to the U.S. Congress in September 2023. Maryland reported \$14.6 billion in drinking water infrastructure needs over the next 20 years in the following categories: distribution/transmission (\$12.8 billion); treatment (\$1.0 billion); storage (\$0.5 billion); source (\$0.3 billion); and other (\$0.1 billion). The \$14.6 billion funding need was expressed by drinking water system size as follows: large (\$12.0 billion); medium (\$1.3 billion); small (\$0.9 billion); and not-for-profit noncommunity water systems (\$0.4 billion). MDE’s fiscal 2027 funding request breakdown by project type is as follows: transmission/distribution (\$971,239,905 for 74 applications); water treatment (\$143,834,186 for 14 applications); water storage (\$24,879,700 for 4 applications); source (\$9,196,965 for 7 applications); and other (\$85,000 for 1 application). **Exhibit 5** shows the fiscal 2027 funding breakdown by project type and the source size. As shown, \$66.1 million, or 40% of the fiscal 2027 funding, is for transmission/distribution; \$52.7 million, or 32%, is for water treatment; \$43.5 million, or 26%, is for lead service lines; and \$1.0 million, or 1%, is for water source concerns. Of the total \$166.0 million fiscal 2027 appropriation, \$43.5 million is for lead service lines, which is broken out into individual projects. Of the remaining \$122.4 million, \$19.5 million, or 16%, is allocated to address compliance issues.

Exhibit 5
DWRLF Funding by Project Type and Source Size
Fiscal 2027
(\$ in Millions)

	<u>Compliance Flagged</u>	<u>Compliance Not Flagged</u>	<u>Unknown Compliance</u>	<u>Total</u>	<u>% Total</u>
Transmission/Distribution					
Public Large	\$0.0	\$19.1	\$0.0	\$19.1	
Public Large Disadvantaged	0.0	33.1	0.0	33.1	
Public Small	0.0	4.7	0.0	4.7	
Public Small Disadvantaged	6.8	2.4	0.0	9.3	
Subtotal	\$6.8	\$59.2	\$0.0	\$66.1	40%
Treatment					
Private Large	\$0.0	\$8.3	\$0.0	\$8.3	
Private Small	3.3	0.0	0.0	3.3	
Public Large Disadvantaged	8.5	16.0	0.0	24.5	
Public Small	0.9	13.2	0.0	14.0	
Public Small Disadvantaged	0.0	2.6	0.0	2.6	
Subtotal	\$12.7	\$40.0	\$0.0	\$52.7	32%
Lead Service Lines					
Lead Service Lines	\$0.0	\$0.0	\$43.5	\$43.5	
Subtotal	\$0.0	\$0.0	\$43.5	\$43.5	26%
Source					
Public Small Disadvantaged	\$0.0	\$1.0	\$0.0	\$1.0	
Subtotal	\$0.0	\$1.0	\$0.0	\$1.0	1%
Storage					
Private Small	\$0.0	\$2.6	\$0.0	\$2.6	
Subtotal	\$0.0	\$2.6	\$0.0	\$2.6	2%
Total	\$19.5	\$102.9	\$43.5	\$166.0	100%

Source: Maryland Department of the Environment

- **Concerns:** Lead service line replacement is a critical public health concern, and funding for replacement is the largest component of MDE’s fiscal 2027 federal IJA funding. However, MDE’s fiscal 2026 and 2027 project lists still primarily reflect funding for lead

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service line inventorying and not replacement. For fiscal 2026, the exceptions appear to be as follows: Washington Suburban Sanitary Commission Lead Service Line Replacement Program (\$6,102,556); Salisbury Lead Service Line Replacement Phase I (\$1,767,150); and Berlin Lead Service Line Replacement Phase I (\$542,253). For fiscal 2027, due to EPA’s announcement of lead service line allocations in December 2025, all \$43,521,000 is unallocated. The EPA Service Line Inventory data for Maryland reflects 3,037 galvanized lines requiring replacement, 263 lead service lines, and 564,497 service lines with unknown lead status. **MDE should comment on when it will have a complete lead service line inventory for the State that informs how the \$43.5 million in fiscal 2027 unallocated federal funding should be most effectively distributed to reduce exposure to lead service lines.**

- **Other Comments:** The budget funds 28 projects serving 12 jurisdictions plus 1 statewide project and includes \$103.8 million of federal IJJA funding. Fiscal 2027 is the last year that MDE anticipates receiving new IJJA funding, which increased the federal funding for the DWRLF from fiscal 2023 through 2027.

Bay Restoration Fund – Wastewater Projects

Program Description: The BRF was established by Chapter 428 of 2004 to address the significant decline in Chesapeake Bay water quality due to overenrichment of nutrients, such as phosphorus and nitrogen. This dedicated fund, financed in large part by WWTP users, initially was used to provide grants to local governments to upgrade Maryland’s 67 major WWTPs with ENR technology. This was part of the effort to reduce an additional 7.5 million pounds of nitrogen per year to reach Maryland’s commitment under the Total Maximum Daily Load (TMDL) as implemented by the Watershed Implementation Plan (WIP). The BRF is one of the specified sources for the Whole Watershed Fund supporting the Whole Watershed Restoration Partnership, established by Chapters 558 and 559 of 2024 (Whole Watershed Act).

Fund Sources:						
(\$ in Millions)	2026 Approp.	2027 Request	2028	2029	2030	2031
SF	\$50.000	\$50.000	\$50.000	\$50.000	\$50.000	\$50.000
GO Bonds	0.000	0.000	20.000	0.000	0.000	0.000
Total	\$50.000	\$50.000	\$70.000	\$50.000	\$50.000	\$50.000

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Fund Uses (\$ in Millions):					
Project (Jurisdiction)	Est. Cost	Prior Auth.	2027 Request	Future Request	Total State Share
Town of Grantsville Wastewater Treatment Plant Upgrade (Garrett)	\$36.375	\$0.000	\$7.933	\$0.000	21.8%
Princess Anne Wastewater Treatment Plant Enhanced Nutrient Removal Upgrade (Somerset)	19.202	0.000	7.000	0.000	36.5%
Manchester Wastewater Treatment Plant Upgrade (Carroll)	51.951	0.000	6.085	0.000	11.7%
Easton Enhanced Nutrient Removal Wastewater Treatment Facility Upgrades (Talbot)	12.490	0.000	5.000	0.000	40.0%
Centreville Wastewater Treatment Plant (Queen Anne's)	19.295	0.000	4.500	0.000	23.3%
Town of Hancock Wastewater Treatment Plant Upgrade (Washington)	26.731	0.000	4.102	0.000	15.3%
Vienna Wastewater Treatment Plant Enhanced Nutrient Removal Upgrade (Dorchester)	12.433	0.000	4.000	0.000	32.2%
Greensboro Regional Wastewater System Extension (Caroline)	25.189	0.000	3.047	0.000	12.1%
Federalsburg Wastewater Treatment Plant Enhanced Nutrient Removal Refinement (Caroline)	2.236	0.000	2.236	0.000	100.0
Trappe Wastewater Treatment Plant Enhanced Nutrient Removal Upgrade (Talbot)	14.058	0.000	2.097	0.000	14.9%
Effluent Filter Rehabilitation at Back River Wastewater Treatment Plant (Baltimore City)	93.009	0.000	2.000	0.000	2.2%
Effluent Filter Rehabilitation at Back River Wastewater Treatment Plant (Baltimore County)	93.009	0.000	2.000	0.000	2.2%
Total	\$405.979	\$0.000	\$50.000	\$0.000	

- Changes:** The BRFA of 2026 transfers \$70.0 million of the revenues under the BRF, which would go to wastewater projects, and replaces the funding with \$50.0 million in GO bonds in fiscal 2027 and programs \$20.0 million for fiscal 2028 in the 2026 CIP. Therefore, the fiscal 2027 authorization of \$50.0 million in GO bonds is the same amount as was

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programmed in the 2025 CIP for fiscal 2027 but reflects a shift from BRF special funds to GO bonds. As noted, the 2026 CIP programs \$20.0 million in GO bonds in fiscal 2028 that were not included in the 2025 CIP. The out-years remain the same at \$50.0 million in special funds per year. Of note, the BRF fee sunsets to half its current rate, effectively from \$60 per household to \$30 per household beginning July 1, 2030. This does not immediately impact the allocation of funding for BRF – Wastewater projects due to the large available fund balance, but will impact future years as current projections are for expenditures to exceed revenues. BRF – Wastewater projects funding will be used for implementation of the Whole Watershed Act in fiscal 2027, although none of the fiscal 2027 \$50.0 million authorization is allocated explicitly for this purpose.

- ***Encumbrances and Expenditures:*** The BRF unencumbered and unexpended funding levels have been adjusted to reflect the removal of a BRF revenue bond authorization that will not be used. A total of \$590.0 million in revenue bonds have been authorized and previously were reflected in MDE’s fund summary, but only \$330.0 million in revenue bonds have been issued. The \$260.0 million in unused revenue bond authorization was removed in the 2025 session. As a result, all but \$50.0 million in fiscal 2026 has been encumbered, and no funding remains to be expended from before fiscal 2023. The fiscal 2026 spending plan reflects \$0 in beginning balance from fiscal 2025; \$50.0 million in revenues; and the encumbering of the entire \$50.0 million.
- ***Projects Selected:*** The fiscal 2027 budget includes funding for 12 projects in 10 jurisdictions. The largest amount of funding is allocated to the Princess Anne Wastewater Treatment Plant Enhanced Nutrient Removal Upgrade project, which receives \$7.0 million. The Princess Anne WWTP is the last of the 67 major WWTPs to be upgraded to ENR technology and may start design before April 2026.
- ***Performance Measures:*** Of the 67 major WWTPs, 66 have been upgraded to ENR technology and are in operation; the Princess Anne WWTP is in the planning phase. MDE has noted that there are more than 300 minor WWTPs that are eligible for funding, and of these 300, a total of 80 minor facilities may meet the cost-effectiveness criteria and could be upgraded if they apply. Of the 80 minor facilities that may meet the cost-effectiveness criteria, 35 minor plants have signed the funding agreement and started the process. Of these 35 minor plants, 16 are in planning or design, 2 are under construction, and 17 have completed the upgrade. In addition, 2 more minor WWTPs were upgraded using other fund sources. MDE has noted that it anticipates more applications in the future due to continued interest and treatment technology advances that are increasing the cost effectiveness of these upgrades.
- ***Concerns:*** BRF revenues have stabilized when looked at through a four-year moving average, but they have not rebounded to the levels originally projected. While the majority of the variation is due to the timing of the receipt of revenues, there are still concerns about the timeliness and detail of the Comptroller’s BRF revenue reporting. **MDE should comment on the status of efforts to improve the timeliness and detail of the Comptroller’s BRF revenue reporting.**

- Other Comments:** Moody’s ratings announced in May 2025 that they downgraded the BRF revenues issued by MDE from Aa2 to Aa3, reversing an upgrade that occurred in September 2024. MDE is no longer considering issuing \$100.0 million in new revenue bonds. The Governor is considering the use of BRF – Wastewater Projects funding for additional upgrades to the major WWTPs already upgraded to ENR technology. This is because WWTPs that are upgraded to ENR technology are approaching their 20-year anniversary, and additional funding will be needed to ensure that the WWTPs continue to meet their 2025 target loads. MDE is offering 100% funding for comprehensive engineering evaluation to all major WWTPs approaching 20 years of ENR operation. This funding is a precursor to the use of BRF funding by the major WWTPs to do ENR refinement. However, to be eligible for BRF funding, the WWTPs will need to achieve a new goal of 2.85 milligrams per liter for nitrogen. The cost of the ENR refinement upgrades is estimated to be close to \$900 million, which will not be affordable if the BRF fee sunsets to half its current amount in June 2030, as currently planned in statute.

Bay Restoration Fund – Septic System Projects

Program Description: The BRF includes a separate program to fund the replacement of failing septic systems. This program is funded as part of the BRF legislation by a fee on users of septic systems and sewage holding tanks, of which 60% of the revenue is allocated to MDE for the Septic System Upgrade Program and 40% to the Maryland Department of Agriculture (MDA) for the Cover Crop Program.

Fund Sources:						
(\$ in Millions)	2026 Approp.	2027 Request	2028	2029	2030	2031
SF	\$15.000	\$15.000	\$15.000	\$15.000	\$15.000	\$15.000
Total	\$15.000	\$15.000	\$15.000	\$15.000	\$15.000	\$15.000

- Encumbrances and Expenditures:** The program encumbers and expends funding efficiently – only \$1.0 million remains to be expended from fiscal 2025. The program’s annual average encumbrance rate is \$15.1 million between fiscal 2022 and 2025. The fiscal 2026 spending plan reflects a \$0 opening balance from fiscal 2025, the \$15.0 million appropriation for fiscal 2026, and the encumbrance of the entire \$15.0 million in fiscal 2026, leaving a \$0 unencumbered balance for fiscal 2027.
- Performance Measures:** According to the draft January 2026 Bay Restoration Fund Advisory Committee Annual Report, as of June 30, 2025, the program had funded 17,184 best available technology (BAT) upgrades, of which 10,550 were completed within Maryland’s Critical Areas – all land within 1,000 feet of the landward edge of tidal waters and tidal wetlands – and helped connect 1,677 homes to public sewers.

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- Other Comments:** The fiscal 2027 budget provides for approximately 1,000 septic system upgrades. For comparison purposes, there are approximately 420,000 onsite septic systems in Maryland. There is also \$1.5 million in MDE’s operating budget that is programmed by Chapter 379 of 2014. Chapter 379 requires that up to 10% of the funds in the BRF septic account be distributed to a local public entity delegated by MDE – local health departments – to cover reasonable costs associated with implementation of regulations pertaining to septic systems that use BAT for nitrogen removal. Chapter 413 of 2020 expanded the authorized uses of the BRF to include costs that are associated with connecting a property using a septic system to an existing municipal wastewater facility that has signed a funding agreement with MDE and is under construction to achieve ENR or biological nutrient removal level treatment. This provision was scheduled to terminate June 30, 2024, but was made permanent by Chapter 545 of 2024.

Supplemental Assistance Program

Program Description: The Supplemental Assistance Program provides grant assistance to local governments for planning, designing, and constructing WWTP improvements; for connection of older communities with failing septic systems; for correction of combined sewer overflow (CSO) and sanitary sewer overflows (SSO); and for correction of excessive infiltration and inflow throughout the State. Funds are targeted principally to two types of projects: (1) maintaining compliance at existing WWTPs; and (2) eliminating failing septic systems in older communities.

Fund Sources:						
(\$ in Millions)	2026 Approp.	2027 Request	2028	2029	2030	2031
GO Bonds	\$0.000	\$3.000	\$3.000	\$3.000	\$3.000	\$3.000
Total	\$0.000	\$3.000	\$3.000	\$3.000	\$3.000	\$3.000

Fund Uses:					
(\$ in Millions)	Est. Cost	Prior Auth.	2027 Request	Future Request	Total State Share
Town of Thurmont – Emmitsburg Road Flood Control Best Management Practices (Frederick)	\$1.728	\$0.000	\$1.500	\$0.000	86.8%
City of Rockville – Disadvantaged Community – Orangeburg Lateral Replacement (Montgomery)	3.150	0.000	1.500	0.000	47.6%
Total	\$4.878	\$0.000	\$3.000	\$0.000	

- Encumbrances and Expenditures:** The program has \$0 to be encumbered and \$2.0 million to be expended from before fiscal 2022. The fiscal 2026 spending plan reflects a \$13.8 million opening balance from fiscal 2025, no authorization in 2026, and the encumbrance of \$5.1 million in fiscal 2026, leaving a \$8.8 million unencumbered balance

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for fiscal 2027. The fiscal 2026 \$5.1 million encumbrance level appears to be optimistic, given the average \$1.2 million encumbrance level from fiscal 2022 to 2025.

- **Comments:** The fiscal 2027 authorization provides for two projects in two jurisdictions. The Supplemental Assistance Program did not receive funding in fiscal 2026 due to the availability of loan forgiveness under the WQRLF.

Water Supply Financial Assistance Program

Program Description: The Water Supply Financial Assistance Program provides grants to assist small communities in the acquisition, construction, equipping, rehabilitation, and improvement of publicly owned water supply facilities. The State may provide up to 87.5% of total eligible project costs (not to exceed \$1.5 million per project), and a minimum 12.5% local match is required.

Fund Sources:						
(\$ in Millions)	2026 Approp.	2027 Request	2028	2029	2030	2031
GO Bonds	\$0.000	\$2.419	\$2.500	\$2.500	\$2.500	\$2.500
Total	\$0.000	\$2.419	\$2.500	\$2.500	\$2.500	\$2.500

Fund Uses:					
(\$ in Millions)	Est. Cost	Prior Auth.	2027 Request	Future Request	Total State Share
Gorman Water Source Project (Garrett)	\$1.583	\$0.000	\$0.919	\$0.000	58.0%
Town of Grantsville Water System Improvements (Garrett)	13.924	0.000	1.500	0.000	10.8%
Total	\$15.507	\$0.000	\$2.419	\$0.000	

- **Encumbrances and Expenditures:** The fiscal 2026 spending plan reflects a \$4.8 million opening balance from fiscal 2025, no authorization in fiscal 2026, and the encumbrance of \$0.8 million in fiscal 2026, leaving a \$3.9 million unencumbered balance for fiscal 2027.
- **Comments:** The fiscal 2027 authorization provides for two projects in Garrett County. The Water Supply Financial Assistance Program did not receive funding in fiscal 2026 due to the availability of loan forgiveness under the DWRLF.

Hazardous Substance Clean-Up Program

Program Description: The Hazardous Substance Clean-Up Program provides funds for the State’s required 10% share of assessing and cleaning up of contaminated sites listed on the federal National Priorities List (Superfund) and other sites with the potential to impact human health and the environment due to contamination that meet the following criteria: (1) there is no responsible party within the State; and (2) the sites do not qualify for federal funding through the Superfund program.

Fund Sources:						
(\$ in Millions)	2026 Approp.	2027 Request	2028	2029	2030	2031
GF	\$0.625	\$0.550	\$0.750	\$0.750	\$0.850	\$0.850
Total	\$0.625	\$0.550	\$0.750	\$0.750	\$0.850	\$0.850

Fund Uses (\$ in Millions):					
Project (Jurisdiction)	Est. Cost	Prior Auth.	2027 Request	Future Request	Total State Share
Montgomery Brothers Dump (Cecil)	\$0.200	\$0.000	\$0.200	\$0.000	100.0%
City Parks Remediation (Baltimore City)	0.100	0.000	0.100	0.000	100.0%
Former Wellers Cleaners Offsite Contamination (Montgomery)	0.100	0.000	0.100	0.000	100.0%
Site Assessment (Statewide)	1.350	1.100	0.100	0.150	100.0%
Anacostia River Hazardous Substance Assessments (Regional)	0.700	0.550	0.050	0.100	100.0%
Total	\$2.450	\$1.650	\$0.550	\$0.250	

- Changes:** The Hazardous Substance Clean-Up Program’s fiscal 2027 appropriation of \$550,000 in general funds is \$75,000 less than the amount that the program received in fiscal 2026 and \$100,000 less than the amount programmed for fiscal 2027 in last session’s CIP. The reduction is due to the Tomes School – Bainbridge Site Contamination Assessment not being recommended for fiscal 2027 funding, as the Department of Natural Resources (DNR) is not anticipated to have access to the site until June 2026, and prior authorized funds are available to begin an assessment in fiscal 2027. The 2026 CIP is consistent with the 2025 CIP in terms of out-year programmed amounts.
- Projects Selected:** The Baltimore City Parks Remediation project reflects work based on contamination identified by an MDE evaluation of soil contamination in a subset of city parks in calendar 2007. The Montgomery Brothers Dump project reflects the State’s responsibility for long-term care of the remediated and capped dumpsite. Originally envisioned as long-term monitoring, soil gas concerns have since emerged, the old monitoring network has had to be replaced, and contaminated material areas have had to

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be remediated. Most recently, the dumpsite’s monitoring network indicates additional remedial measures will be needed to safeguard nearby residential areas.

- **Performance Measures:** As of July 2025, there are 2,057 active Brownfield Master Inventory sites and 618 archived inventory sites, which is a substantial change from July 2024, when there were 962 active Brownfield Master Inventory sites and 1,041 archived inventory sites.
- **Other Comments:** The fiscal 2027 budget provides for investigation and contamination clean up at three sites serving three jurisdictions and one regional site as well as provides for new site assessments throughout Maryland. The Tome School – Bainbridge Site Contamination Assessment project in Cecil County is located on property that currently is planned to be part of the Port of Deposit State Historical Park established by Chapter 39 of 2022. Originally, Chapter 39 required the transfer of a portion of the Bainbridge Naval Training Center, including the historic Tome School, to DNR for the Port of Deposit State Historical Park by June 1, 2023. Subsequently, Chapter 602 of 2023 pushed out the required transfer date to June 1, 2025.

Comprehensive Flood Management Program

Program Description: The program provides grant funding to local governments for projects that reduce the risk of loss of life and property from flooding. Grant funds may be used to acquire flood-prone properties for demolition or relocation; install flood warning systems; and construct flood control projects, including engineering studies required to support the design of these projects. Chapters 516 and 517 of 2024 authorize the Governor, for fiscal 2026 and each fiscal year thereafter, to include in the annual State budget an appropriation for the Comprehensive Flood Management Grant Program of up to \$20.0 million. The Acts also require that, for fiscal 2026 and each fiscal year thereafter, at least 40% of funding provided under the program be used for projects located in or directly benefiting underserved or overburdened communities.

Fund Sources:						
(\$ in Millions)	2026 Approp.	2027 Request	2028	2029	2030	2031
SF	\$0.000	\$9.485	\$0.000	\$0.000	\$0.000	\$0.000
GO Bonds	13.867	4.382	10.000	10.000	10.000	10.000
Total	\$13.867	\$13.867	\$10.000	\$10.000	\$10.000	\$10.000

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Fund Uses (\$ in Millions):					
Project (Jurisdiction)	Est. Cost	Prior Auth.	2027 Request	Future Request	Total State Share
Ellicott City Maryland Avenue Culverts (Howard)	\$57.525	\$10.470	\$4.000	\$0.000	25.2%
Middle Branch Resiliency Initiative Stage 2 (Baltimore City)	178.142	9.800	3.549	0.000	7.5%
Wheatley Dam Retrofitting Construction (Charles)	7.120	0.000	3.318	0.000	46.6%
Prince George’s County – Port Towns Watershed Restoration Initiative (Prince George’s)	26.856	0.000	2.000	0.000	7.4%
Northern Crisfield Flood Mitigation Project (Somerset)	39.501	0.000	1.000	0.000	2.5%
Total	\$309.144	\$20.270	\$13.867	\$0.000	

- Changes:** The 2025 CIP programmed \$10.0 million in GO bond funding for fiscal 2027, while the Governor’s fiscal 2027 budget plan of \$13.9 million includes \$4.4 million in GO bonds and \$9.5 million in special funds supported by the SEIF. SEIF special funds reflect funding for projects that will increase resilience to climate change. MDE’s Comprehensive Flood Management Grant Program’s fiscal 2027 special fund appropriation of \$9.5 million is contingent on the BRFA of 2026 expanding the allowable uses of the SEIF.
- Encumbrances and Expenditures:** The program was initially funded in fiscal 2020, so there are no large prior year unexpended or unencumbered balances. For instance, the unexpended funding from before fiscal 2022 is \$4.3 million. While the funding history is limited, program encumbrances have averaged just \$2.8 million annually from fiscal 2022 through 2025, well below annual funding levels over the same time period. Considering that the 2026 CIP includes annual funding of \$10 million in each of fiscal 2028 through 2031, the program will need to increase annual encumbrances above current levels to keep projects moving. As noted in the past, the \$23.8 million authorized in fiscal 2022 may be difficult to encumber and expend in a timely fashion. The current fiscal 2026 spending plan reflects an opening balance of \$49.6 million, the \$13.9 million fiscal 2026 authorization, and \$38.7 million in encumbrances in fiscal 2026, which seems to be overly optimistic given recent history, leaving \$24.8 million for fiscal 2027 encumbrances.
- Projects Selected:** The fiscal 2027 project list includes \$3.5 million for the Middle Branch Resiliency Initiative State 2 project. This is the third year of funding for the project, which is currently broken into two stages. The cost estimate for Stage 1 (fiscal 2025 funding) is \$120.4 million, and Stage 2 (fiscal 2026 and fiscal 2027 funding) is \$178.1 million.

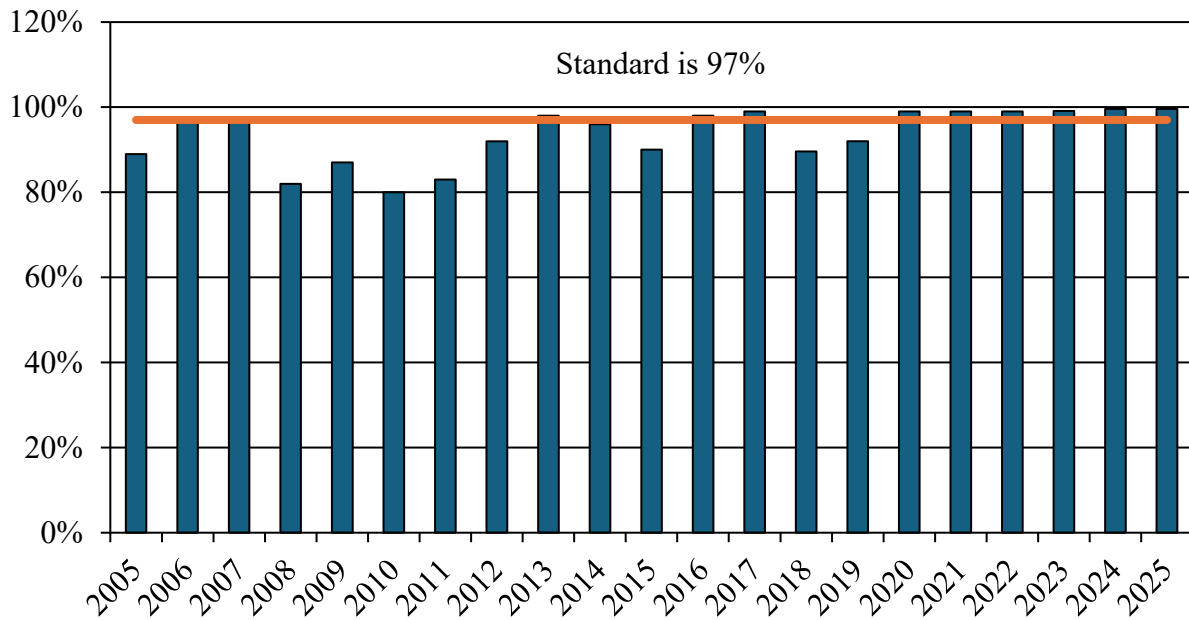
- **Concerns:** On April 4, 2025, the President Donald J. Trump Administration announced the cancellation of the Federal Emergency Management Agency’s Building Resilient Infrastructure and Communities program. This federal funding expanded the work of the Comprehensive Flood Management Program, including providing \$36 million for the City of Crisfield and \$32 million for the Middle Branch Resiliency Initiative. A December 11, 2025 court ruling in response to a lawsuit filed by a coalition of 20 states, including Maryland, blocked the Trump Administration from redistributing the Building Resilient Infrastructure and Communities program funding but did not ensure release of the funding. **The Department of Legislative Services recommends that MDE comment on the status of Building Resilient Infrastructure and Communities program funding for the City of Crisfield, the Middle Branch Resiliency Initiative, and other projects in Maryland impacted by the court ruling.**
- **Performance Measures:** For fiscal 2027 funding, the program received 10 applications requesting \$156.4 million. The fiscal 2027 funding will meet 9% of the project demand. The largest project type for which funding was requested was \$90.0 million for flood mitigation. The second largest project category for which funding was requested was \$37.6 million for stormwater/subsurface drainage. The other categories include elevation/shoreline (\$24.6 million) and the “numerous” category (\$3.8 million), which presumably reflects multiple techniques or approaches to flood management for each project.
- **Other Comments:** The fiscal 2027 funding provides for five projects in five jurisdictions.

Performance Measures and Outputs

Drinking Water Revolving Loan Fund

Exhibit 6 shows an overall trend toward a cleaner public water system in Maryland since fiscal 2018, with 99% of Marylanders served by systems that are compliant with all drinking water regulations between fiscal 2020 and 2025.

**Exhibit 6
Percentage of Marylanders Served by Public Water Systems in
Significant Compliance
Fiscal 2005-2025**



Source: Governor’s Fiscal 2008-2025 Budget Books; Department of Budget and Management

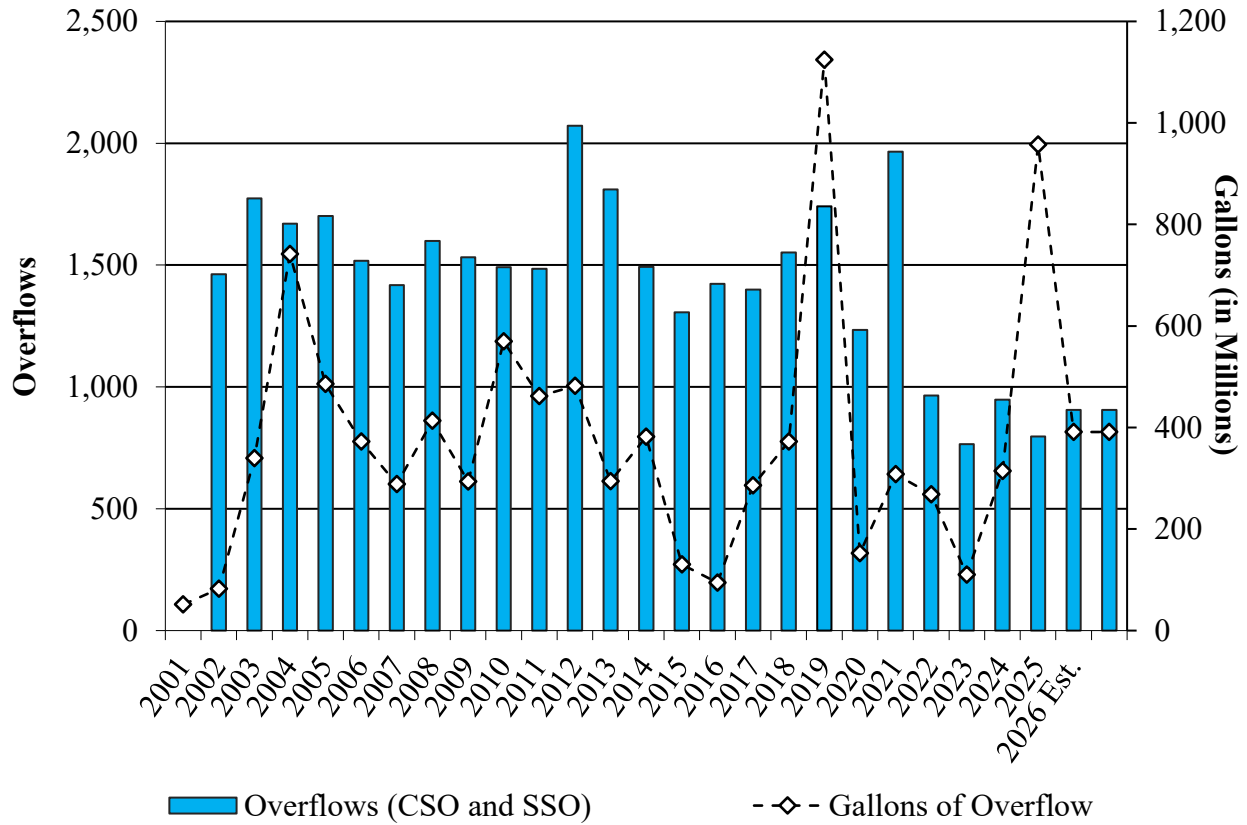
Bay Restoration Fund – Wastewater Projects

A number of Maryland’s jurisdictions have signed consent decrees requiring the upgrade of their sewer systems due to the release of untreated sewage from facilities with National Pollutant Discharge Elimination System permits.

As illustrated in **Exhibit 7**, the number of gallons of overflow had been decreasing between fiscal 2010 and 2018, followed by a substantial increase in fiscal 2019 and then again in fiscal 2025. Large overflows in a particular year may be attributable to a few extreme events, such as in Cumberland and La Vale in Allegany County in prior years, and particularly due to substantial storms in calendar 2019 and 2025 that increased CSO. Except for fiscal 2019 and 2025, over the fiscal 2004 through 2025 period, there appears to be a downward trend in the number and gallons of overflows. The fiscal 2025 data reflects a decrease in the number of CSO and SSO overflows and a substantial increase in the gallons of overflow, particularly due to several large events in Cumberland. MDE has noted that funding for sewer rehabilitation, progress on improvements and repairs to collection systems, and the amount of rainfall will determine future sewer overflow

reductions but that MDE has very little control over the number of overflows or the associated gallons.

Exhibit 7
CSO and SSO Overflows
Fiscal 2001-2027 Est.



CSO: combined sewer overflow
 SSO: sanitary sewer overflow

Note: The number of gallons of overflow is calculated by the annual net change in number of gallons of overflows from the fiscal 2003 to 2005 average.

Source: Governor’s Fiscal 2008-2027 Budget Books; Department of Budget and Management

Appendix 1

Grant and Loan Program Descriptions

Descriptions of MDE’s current programs are as follows.

- ***WQRLF:*** The WQRLF was created to provide low-interest loans to counties and municipalities to finance water quality improvement projects. Projects eligible for funding include WWTPs, failing septic systems, and nonpoint source projects such as urban stormwater control projects. The federal Act requires a 20% State match. Matching requirements for additional federal funds vary from year to year. WQRLF projects are prioritized based on an EPA-approved Integrated Project Priority System. The priority system for WQRLF projects consists of a system for evaluating, rating, and ranking of both point source and nonpoint source water quality projects. Through June 2024, the program has executed approximately \$3.39 billion in loans, loan forgiveness, and grants.
- ***DWRLF:*** The DWRLF was established in accordance with a federal capitalization grant approved by the U.S. Congress in 1996 in anticipation of future federal capitalization grants. This program was authorized by the General Assembly to provide loans to counties and municipalities to finance water supply improvements and upgrades. In accordance with the federal law, these funds may also be loaned to private parties. The federal Act requires that a minimum of 20% of State matching funds for each year’s federal capitalization grant be deposited into the fund. Matching requirements for additional federal funds vary from year to year. Similar to WQRLF projects, DWRLF projects are prioritized based on an EPA-approved Drinking Water Project Priority System that focuses on many criteria, the most important being the public health benefit. Through June 2024, the program has executed more than \$617 million in loans, loan forgiveness, and grants.
- ***BRF – Wastewater Projects:*** The BRF (Chapter 428) was created to address the significant decline in Chesapeake Bay water quality due to overenrichment of nutrients, such as phosphorus and nitrogen. This dedicated fund, financed in large part by WWTP users, initially was used to provide grants to local governments to upgrade Maryland’s 67 major WWTPs with ENR technology as part of reducing an additional 7.5 million pounds of nitrogen per year in order to reach Maryland’s commitment under the TMDL as implemented by the WIP. The current funding prioritization schedule is as follows: funding an upgrade of a wastewater facility, with a design capacity of 0.5 million gallons or more per day from no upgrade all the way to ENR; and funding for the most cost-effective ENR upgrades at WWTPs, with a design capacity of less than 0.5 million gallons per day from no upgrade all the way to ENR. Following the allocations for major (0.5 million gallons or more per day) and minor (less than 0.5 million gallons per day) WWTPs, the prioritization schedule requires a transfer of \$20.0 million to the Clean Water Commerce Account and then includes the following uses as determined by MDE and based on water quality and public health benefits: funding up to 87.5% of the cost for CSO abatement; rehabilitation of existing sewers; and upgrading conveyance systems, including pumping stations, costs associated with upgrading septic systems and sewage holding

tanks; and funding up to 50% for grants for local government stormwater control measures – including projects relating to water quality, climate resiliency, or flood control per Chapter 44 of 2020 – for jurisdictions that have implemented a specified system of charges under current authority.

- ***BRF – Septic System Projects:*** The BRF includes a separate program to fund the replacement of failing septic systems. This program is funded as part of the BRF legislation by a fee on users of septic systems and sewage holding tanks, of which 60% of the revenue is allocated to MDE for the Septic System Upgrade Program and 40% to MDA for the Cover Crop Program. MDE provides grants to upgrade failing systems and holding tanks with BAT for nitrogen removal. Overall, the program gives priority to projects that involve failing systems in environmentally sensitive areas that are ready to proceed. The program is administered by county governments or other parties; contractors conducting the septic system upgrades are directly reimbursed for their work. Applications are prioritized as follows: (1) failing septic systems or holding tanks in the Critical Areas; (2) failing septic systems or holding tanks outside the Critical Areas; (3) nonconforming septic systems in the Critical Areas; (4) nonconforming septic systems outside of the Critical Areas; (5) other septic systems in the Critical Areas, including new construction; and (6) other septic systems outside the Critical Areas, including new construction. Chapter 379 requires that up to 10% of the funds in the BRF septic account be distributed to a local public entity delegated by MDE local health departments to cover reasonable costs that are associated with implementation of regulations pertaining to septic systems that use BAT for nitrogen removal. Chapter 413 expanded the authorized uses of the BRF to include costs associated with connecting a property using a septic system to an existing municipal wastewater facility that has signed a funding agreement with MDE and is under construction to achieve ENR or biological nutrient removal level treatment. This provision was scheduled to terminate June 30, 2024, but was made permanent by Chapter 545.
- ***Supplemental Assistance Program:*** The Supplemental Assistance Program provides grant assistance to local governments for planning, designing, and constructing WWTP improvements; for connection of older communities with failing septic systems; for correction of CSO and SSO; and for correction of excessive infiltration and inflow throughout the State. Funds are targeted principally to two types of projects: (1) projects where the community needs to construct improvements to its sewer system infrastructure but is unable to afford the local share of the construction cost; and (2) projects where the community needs to construct improvements to its sewer system infrastructure but is unable to completely afford the financing arrangements under the WQRLF. Funds are directed principally to projects where local governments need a subsidy to undertake the needed water quality or public health project. This program is often used in conjunction with other sources of federal and State financial assistance to achieve project affordability. This program funds up to 87.5% of eligible costs for projects in small, lower-income jurisdictions, not to exceed \$1.5 million.
- ***Water Supply Financial Assistance Program:*** The General Assembly created the Water Supply Financial Assistance Program in calendar 1982 to address the deteriorating

condition of the State’s water supply infrastructure and the lack of adequate financing available to local governments to upgrade water supply systems. This program provides grants to assist small communities in the acquisition, construction, equipping, rehabilitation, and improvement of publicly owned water supply facilities. The State may provide up to 87.5% of total eligible project costs (not to exceed \$1.5 million per project), and a minimum 12.5% local match is required. This program is often used in conjunction with other sources of federal and State financial assistance (such as the DWRLF) to achieve project affordability.

- ***Hazardous Substance Clean-Up Program:*** The Hazardous Substance Clean-Up Program provides funds for the State’s required 10% share of assessing and cleaning up contaminated sites listed on the federal Superfund, for which EPA is responsible for the other 90% of the costs. This program also funds the assessment and remediation of other sites with the potential to impact human health and the environment due to contamination that meet the following criteria: (1) there is no responsible party within the State; and (2) the sites qualify for federal funding through the Superfund program. The State provides up to 100% of the costs of assessment and cleanup for the projects not included on the Superfund. In all cases, the program seeks cost recovery when possible from the responsible parties.
- ***Mining Remediation Program:*** Where there is no financially viable responsible party, the program provides funding for remediation of abandoned lands and waters impacted by inadequate coal mining reclamation practices prior to the passage of the federal Surface Mine Control and Reclamation Act of 1977. The program works through the Maryland Abandoned Mine Land Division. Projects include reclamation of surface mine high walls and pits, stabilization of landslides, restoration of stream banks to address flooding, extinguishing underground coal mine and coal refuse fires, stabilization of coal refuse piles, water supply replacement, stabilizing buildings and roads that are impacted by underground mine subsidence, and acid mine drainage treatment projects.
- ***Comprehensive Flood Management Program:*** The program provides grant funding to local governments for projects that reduce the risk of loss of life and property from flooding. Grant funds may be used to acquire flood-prone properties for demolition or relocation; install flood warning systems; and construct flood control projects, including engineering studies required to support the design of these projects. Capital projects that assist with flood management techniques may include but are not limited to flood control dams, levees and dikes, stormwater detention or retention structures, and flood proofing. Chapters 651 and 652 authorized MDE under its existing Comprehensive Flood Management Grant Program to award grants to subdivisions that incurred at least \$1 million in infrastructure damage by a flood event that occurred on or after January 1, 2009. The grants were authorized to be for an amount up to 50% of the combined cost of infrastructure repairs, watershed restoration, and emergency work associated with a flood event that may be equal to a certain amount of the total money appropriated to the grant program in specified fiscal years. Chapters 651 and 652 also required the Governor to appropriate at least \$3 million in the State budget in fiscal 2021

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and 2022 and at least \$2 million in fiscal 2023. Chapters 516 and 517 authorize the Governor, for fiscal 2026 and each fiscal year thereafter, to include in the annual State budget an appropriation for the comprehensive flood management grant program of up to \$20.0 million. The Acts also require that, for fiscal 2026 and each fiscal year thereafter, at least 40% of funding provided under the program be used for projects located in or directly benefiting underserved or overburdened communities.