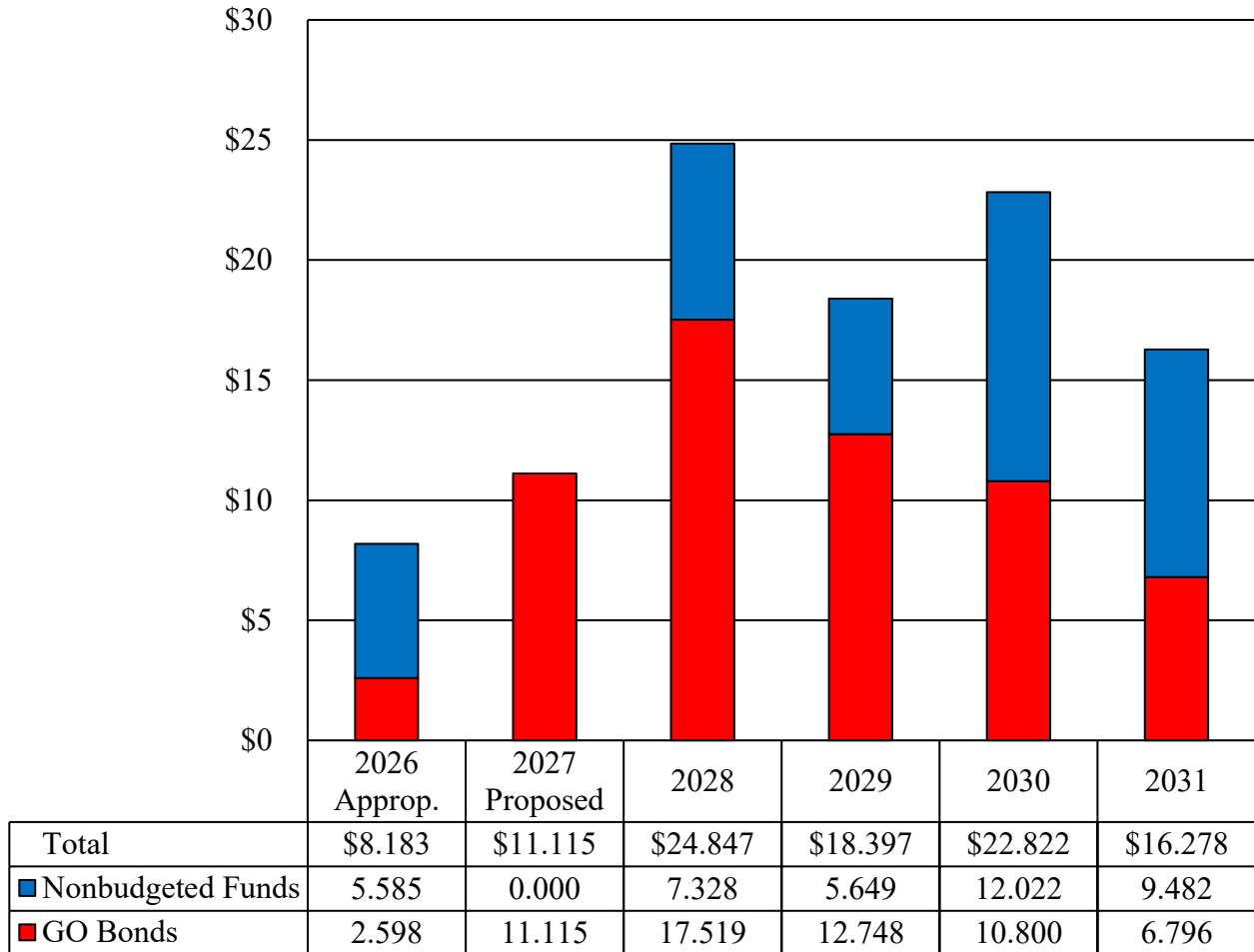


**U10\***  
**Maryland Environmental Service – Capital**

***Capital Budget Summary***

**Grant and Loan *Capital Improvement Program***  
**State Water and Sewer Infrastructure Improvement Fund**  
**(\$ in Millions)**



GO: general obligation

Note: Nonbudgeted funds are transferred from the Department of Natural Resources (DNR) to the Maryland Environmental Service to complete projects at DNR-owned facilities. The funds originate as special funds in DNR's Natural Resources Development Fund, which is allocated to the agency from transfer tax revenue as part of the Program Open Space formula.

Source: Department of Budget and Management

For further information contact: Samuel Quist

samuel.quist@mga.maryland.gov

## ***Key Observations***

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- ***State Water and Sewer Infrastructure Improvement Fund:*** The fiscal 2027 capital budget includes funding for seven projects located in five jurisdictions. All projects are funded through general obligation (GO) bond funding. Approximately \$8.0 million in transfer tax special funds from the Natural Resources Development Fund (NRDF) that were planned to support projects at Department of Natural Resources (DNR) facilities in fiscal 2027 are replaced with GO bond funding to allow the transfer of these funds to the General Fund for operating budget relief.
- ***Proposed Fiscal 2028 Preauthorization:*** The fiscal 2027 capital budget includes proposed preauthorizations for fiscal 2028 totaling \$11.7 million for four projects. These include the Albert Powell Fish Hatchery – Wastewater Treatment Plant project (\$1.3 million); the Charlotte Hall Veterans Home – Water Treatment Plant Upgrade project (\$5.8 million); the Maryland Correctional Institution Boiler Plant – Physical Plant and Major Systems Upgrade project (\$1.7 million); and the Swallow Falls State Park – Water and Wastewater Treatment Plant Upgrade project (\$2.9 million).

## ***GO Bond Recommended Actions***

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1. Approve all general obligation bond authorizations and preauthorizations for the Maryland Environmental Service.

## ***Budget Overview of Grant and Loan Programs***

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The State Water and Sewer Infrastructure Improvement Fund was established to provide for capital improvements at State-owned and -operated water treatment plants (WTP), wastewater treatment plants (WWTP), water distribution and sewer collection systems, and water towers. Since fiscal 1992, funding for capital maintenance projects relating to WTPs and WWTPs has been budgeted under the Maryland Environmental Service (MES). MES operates 267 water and wastewater facilities in Maryland, of which 94 are State-owned. The remaining facilities are operated by MES under contract with a local government or private owner.

The fiscal 2027 capital budget provides \$11.1 million in GO bonds for the State Water and Sewer Infrastructure Improvement Fund. All projects funded in fiscal 2027 are funded through GO bond funds, in contrast with prior years, when nonbudgeted funds were typically provided for projects at DNR facilities, and GO bond funds were limited to supporting projects at other State facilities. Nonbudgeted funds represent transfer tax special funds from the NRDF and are transferred to MES to cover project costs at DNR facilities. In fiscal 2027, GO bond funding replaces approximately \$8.0 million in planned nonbudgeted funding for MES projects at

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DNR facilities due to the transfer of these transfer tax special funds from the NRDF to the General Fund to provide fiscal 2027 operating budget relief. Funds in fiscal 2027 supports seven projects in five jurisdictions, as shown in **Exhibit 1**.

**Exhibit 1  
Fiscal 2027 Projects  
(\$ in Millions)**

	<u>Total Cost</u>	<u>Prior Authorized</u>	<u>Fiscal 2027 Request</u>	<u>Future Request</u>
<b>State Facility (Non-DNR) Projects</b>				
<b><i>Springfield Hospital Center – Water Distribution System Upgrades (Carroll County):</i></b> This project will include improvements to the water distribution system at the Springfield Hospital Center, which is aging and has persistent water quality issues, including the presence of Legionella bacteria and disinfection byproducts. Improvements include installing point-of-use water treatment systems in eight high-priority buildings, replacing certain plumbing fixtures throughout the complex, installation of auto-flush systems in critical buildings, disconnecting abandoned infrastructure, upgrades to backflow prevention, and new appropriately sized water mains. The fiscal 2027 budget includes funding for the planning and construction of the project.	\$1.000	\$0.000	\$1.000	\$0.000
<b><i>ECI Wastewater Treatment Plant – Fine Screen System Refurbishment (Somerset County):</i></b> This project will procure, install, and commission two new fine screens at the headworks of the ECI WWTP. The existing fine screens installed during the 2013 Phase II upgrade of the plant are now obsolete and in need of replacement, and only one of the two fine screens remains operational. Replacing both fine screens will restore full operational capacity of the headworks facility, project downstream infrastructure, improve treatment reliability and efficiency, and ensure continued compliance with regulatory standards. The fiscal 2027 budget includes funding for the design and construction of this project.	0.825	0.000	0.825	0.000

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	<u>Total Cost</u>	<u>Prior Authorized</u>	<u>Fiscal 2027 Request</u>	<u>Future Request</u>
<p><b><i>Maryland Correctional Institution Boiler Plant – Physical Plant and Major Systems Upgrade (Washington County):</i></b> This project will construct upgrades to the boiler plant including upgrades to the control system, electrical system, fire suppression system, replacement of insulation, installation of secondary containment, installation of variable frequency drives, and installation of a turbine drive for one boiler feed pump. The boiler plant is outdated, and certain systems have experienced failure or are at risk of failure, which would leave the boiler plant without power. The fiscal 2027 budget includes funding to continue the design and begin construction of this project.</p>	4.763	0.030	1.337	3.396
<b>DNR Facility Projects</b>				
<p><b><i>Elk Neck State Park – Electric Power Distribution System Upgrade (Cecil County):</i></b> This project will upgrade the park’s existing electrical distribution system, which is outdated and has certain components that are out of compliance with current electrical codes and standards. Upgrades included replacement of underground switchgears, cables, and conduits and upgrades to panelboards, breakers, and medium voltage equipment. These improvements will eliminate safety hazards, remediate code noncompliance, and enhance the system’s reliability and operational efficiency. The fiscal 2027 budget includes funding to begin the design of this project.</p>	6.740	0.000	0.619	6.121
<p><b><i>Fair Hill Natural Resource Management Area Water Treatment Plant – PFAS Treatment System (Cecil County):</i></b> This project will design and construct a PFAS removal system at the existing WTP. Sampling has detected PFAS compounds above acceptable thresholds in all three of the park’s wells. The planned PFAS treatment system will work to reduce PFAS concentrations below regulatory thresholds and ensure compliance with U.S. Environmental Protection Agency and Maryland Department of the Environment standards. The fiscal 2027 budget includes funding to begin the design of this project.</p>	2.930	0.000	0.370	2.560

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	<u>Total Cost</u>	<u>Prior Authorized</u>	<u>Fiscal 2027 Request</u>	<u>Future Request</u>
<p><b><i>Swallow Falls State Park – Water and Wastewater Treatment Plant Upgrade (Garrett County):</i></b> This project will construct improvements to the park’s water and wastewater treatment facilities, including replacement of distribution system water lines; upgrades to the potable water supply, treatment, and storage systems; and upgrades to wastewater treatment buildings, wastewater collection systems, and the dredging, decommissioning, and/or restoration of the wastewater lagoon among other improvements. Existing facilities are outdated and prone to leaks, posing safety and maintenance issues. Prior funding was authorized in the fiscal 2023 and 2024 capital budgets for the project’s design and to begin construction, and the water distribution system and WTP components of the project have been completed. The fiscal 2027 budget includes funding to continue the construction of this project.</p>	18.093	4.593	5.560	7.940
<p><b><i>Albert Powell Fish Hatchery – Wastewater Treatment Plant Upgrade (Washington County):</i></b> This project will include the construction of a replacement wastewater treatment system to ensure reliable fish waste treatment and compliance with National Pollutant Discharge Elimination System permit standards. Additionally, these improvements are necessary to support planned upgrades to the fish hatchery by DNR. The existing wastewater handling system is outdated, deteriorating, and nearing its capacity for effective pollutant removal. Prior funding was authorized in the fiscal 2025 capital budget for the project’s design. The fiscal 2027 budget includes funding for the construction of this project.</p>	3.082	0.400	1.404	1.278
<b>Total</b>	<b>\$37.433</b>	<b>\$5.023</b>	<b>\$11.115</b>	<b>\$21.295</b>

DNR: Department of Natural Resources  
 ECI: Eastern Correctional Institution  
 PFAS: perfluoroalkyl and polyfluoroalkyl substances  
 WTP: water treatment plant  
 WWTP: wastewater treatment plant

Source: Department of Budget and Management

## Springfield Hospital Center Water Distribution System Upgrades

Fiscal 2027 planned funding for the design and construction of this project represents the entirety of funding programmed in the *Capital Improvement Program* (CIP) for improvements to the water treatment and distribution system at the Springfield Hospital Center. Planned improvements are limited in scope to upgrades to the water distribution system and installing point-of-use water treatment systems in high-priority buildings rather than a larger scale WTP upgrade. The planned improvements are based on essential actions recommended by a calendar 2025 water quality study conducted by a consultant engaged by MES. The proposed project schedule includes design beginning in July 2026, construction beginning in December 2026, and project completion in June 2027.

Springfield Hospital Center currently receives its water supply from the Freedom District Water Treatment Plant. Although this WTP is in compliance with regulatory limits for disinfection byproducts, it has shown inconsistent total organic carbon removal, which is a factor leading to their formation. These water quality issues are exacerbated by issues with the hospital's existing water distribution system. **MES should comment on the adequacy of the planned water distribution system upgrades in addressing water quality issues at the Springfield Hospital Center, and if additional upgrades would be necessary in the future if water quality issues from water supplied by the Freedom District Water Treatment Plant persist.**

## Changes to Fiscal 2027 Planned Projects

Four projects previously planned for fiscal 2027 are not included in the request:

- ***Greenbrier State Park:*** The Water and Wastewater Systems Upgrades project has been deferred due to the separation of the project into three different phases. Phase 1 will upgrade the sewer collection system and WTP, Phase 2 will provide WWTP upgrades, and Phase 3 will upgrade the park's water distribution system. Design and initial construction funding for the three project phases are now programmed for fiscal 2029 through 2031 and are planned to be supported entirely through GO bond funds. Typically, nonbudgeted funds representing transfer tax special funds from the DNR NRDF are transferred to MES to support projects at DNR facilities. **MES should comment on why GO bond funds are planned to be used to support this project rather than transfer tax special funds from the DNR NRDF. MES should also comment on whether funds from the Bay Restoration Fund could be used to support water quality components of the project.**
- ***Charlotte Hall Veterans Home:*** The Water Treatment Plant Upgrade project funding planned for fiscal 2027 has been deferred to fiscal 2028, and the project will begin construction in fiscal 2027 using previously authorized funds. Federal funds programmed in last year's CIP for this project in fiscal 2027 have been replaced with GO bond funds in fiscal 2028. Federal funding planned through the U.S. Department of Veterans Affairs (VA) State Home Construction Grant program has been delayed due to additional time needed to

complete the grant application and to receive a memorandum of understanding for federal reimbursement. The State Home Construction Grant program is a reimbursement-based program, and so the State may proceed with using State funds upfront to begin construction and later requesting reimbursement for eligible project costs. **MES should comment on the current status of the federal grant application for this project and the placement of the project on the VA priority list.**

- ***Dorsey Run Wastewater Treatment Plant:*** The Upgrade project was deferred to fiscal 2028 at the request of MES.
- ***Charlotte Hall Veterans Home:*** The Wastewater Treatment Plant Lagoon Dredging project was also deferred due to the emergence of higher priority projects.

## **Encumbrance and Expenditure of Previously Authorized Funds**

As of July 1, 2025, the program has \$37.2 million in total previously allocated funding that has yet to be encumbered, which includes \$8.2 million allocated in fiscal 2026, \$6.7 million allocated in fiscal 2025, and \$22.3 million allocated in fiscal 2024 and prior years. In fiscal 2026, MES has an ambitious plan to encumber nearly all of this outstanding funding. Through the end of December 2025, MES had encumbered \$2.7 million. Encumbrance levels vary substantially from year to year based on the magnitude and number of projects in the agency’s five-year plan, bidding timelines, and other factors. Additionally, the amount of previously allocated program funding from fiscal 2025 and prior fiscal years that has yet to be expended totals \$46.7 million, including \$18.7 million allocated in fiscal 2023 or earlier. Through the end of December 2025, MES recorded \$8.5 million in expenditures.

## **Contingency Funds**

Unallocated funds are not included in the fiscal 2027 program; however, elevated contingency percentages provide the flexibility needed to address unanticipated project delays or challenges. Generally, contingency funds are budgeted at 5% to 10% of the total for capital project costs; however, the Department of Budget and Management and MES find that rate to be insufficient for this program due to the logistical complications associated with water and wastewater infrastructure. The agency notes that a 15% to 20% contingency is more appropriate, with 15% applied to projects with infrastructure that can be visually inspected and 20% applied to water and wastewater treatment facilities that cannot be visually inspected (such as underground facilities). Contingency percentages for fiscal 2027 are 20% for most projects, except for the Eastern Correctional Institution Wastewater Treatment Plant Headworks Fine Screen System Upgrade project and the Elk Neck State Park Power Distribution System Improvements project, which have contingencies of 15%, and the Swallow Falls State Park Water and Wastewater System Upgrades project, which has a contingency of 30%.

**Appendix 1**  
**Operating Budget Impact Statement**  
**Fiscal 2027-2031**  
**(\$ in Thousands)**

	2027	2028	2029	2030	2031
<b>Albert Powell Fish Hatchery – Wastewater Treatment Plant Upgrade</b>					
Estimated Operating Cost	\$0.000	\$0.000	\$11.000	\$15.000	\$19.000
Estimated Staffing	0.000	0.000	0.000	0.000	0.000
<b>Fair Hill Natural Resource Management Area Water Treatment Plant – Perfluoroalkyl and Polyfluoroalkyl Substances Treatment System</b>					
Estimated Operating Cost	\$0.000	\$0.000	\$68.000	\$74.000	\$79.000
Estimated Staffing	0.000	0.000	0.000	0.000	0.000
<b>Springfield Hospital Center – Water Distribution System Upgrades</b>					
Estimated Operating Cost	\$0.000	\$86.000	\$90.000	\$95.000	\$99.000
Estimated Staffing	0.000	0.000	0.000	0.000	0.000
<b>Swallow Falls State Park – Water and Wastewater Treatment Plant Upgrade</b>					
Estimated Operating Cost	\$0.000	\$0.000	\$51.000	\$57.000	\$62.000
Estimated Staffing	0.000	0.000	0.000	0.000	0.000
<b>Total Operating Impact</b>					
<b>Estimated Operating Cost</b>	<b>\$0.000</b>	<b>\$86.000</b>	<b>\$220.000</b>	<b>\$241.000</b>	<b>\$259.000</b>
<b>Estimated Staffing</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

Appendix 1 illustrates the estimated operating impact associated with projects receiving construction funds in fiscal 2027. There is no operating impact in fiscal 2027 but beginning in fiscal 2028, the Springfield Hospital Center project is estimated to require \$86,000 of operating funds, and the remaining projects are all anticipated to require a small amount of operating funds beginning in fiscal 2029.