

Maryland Department of the Environment

Fiscal Year 2016 Capital Budget Response to the Department of Legislative Services

This response addresses the Legislative Analyst's recommended actions and the items noted for discussion. The department accepts the recommended actions and is prepared to discuss the items as requested.

Budget Overview

1. Maryland Water Quality Revolving Loan Fund

DLS recommends that MDE comment on the amount and timing of expected local government stormwater retrofit project cost requests to be funded by the WQRLF and on whether it anticipates issuing revenue bonds for this purpose within the next couple of years.

Department Response: MDE received \$5.54 million in stormwater retrofit financial assistance applications from MS4 jurisdictions for the FY 2017 budget cycle. This requested funding level will not require the issuance of revenue bonds, as the current annual WQRLF revenue of approximately \$130 million can easily address this request. MDE will consider issuing revenue bonds if the demand for State funds increases significantly in the future and projects can't be funded through existing funding programs.

2. Bay Restoration Fund – Wastewater Projects

DLS recommends that MDE comment on how it will prioritize the BRF funding in fiscal 2018 given the expanded uses eligible and how this will address the expected increase in local stormwater retrofit costs.

Department Response: MDE utilizes a federally-approved integrated project priority system (IPPS) to evaluate and rank water quality projects to develop a single project list for funding consideration. The IPPS considers factors such as water quality and public health benefits, overall nutrient load reduction regardless of watershed, relative effectiveness of nutrient load reduction to the Chesapeake Bay, and cost efficiency. For the FY 2018 budget cycle and consistent with the current BRF law, applications will be ranked using the IPPS and funded based on the project category. Ready-to-proceed minor wastewater treatment plants will be funded first, followed by septic system connection projects, with stormwater projects funded third. Through regulation, BRF grant funds can be used to fund up to 50% of eligible stormwater project costs. The balance of the project cost may be funded through the WQRLF or through local revenues sources.

PAYGO Recommended Actions

1. Recommended Action: Concur with the Governor's allowance for the Water Quality Revolving Loan Fund special fund appropriation of \$89,308,000 and federal fund appropriation of \$33,910,000.

Department Response: The Department accepts this recommended action.

2. Recommended Action: Concur with the Governor's allowance for the Hazardous Substance Clean-Up Program general fund appropriation of \$700,000.

Department Response: The Department accepts this recommended action.

3. Recommended Action: Concur with the Governor’s allowance for the Drinking Water Revolving Loan Fund special fund appropriation of \$10,038,000 and federal fund appropriation of \$10,959,000.

Department Response: The Department accepts this recommended action.

4. Recommended Action: Concur with the Governor’s allowance for the Bay Restoration Fund – Wastewater special fund appropriation of \$80,000,000.

Department Response: The Department accepts this recommended action.

5. Recommended Action: Concur with the Governor’s allowance for the Bay Restoration Fund – Septic Systems special fund appropriation of \$14,000,000.

Department Response: The Department accepts this recommended action.

GO Bond Recommended Actions

1. Recommended Action: Approve the \$26,500,000 general obligation bond authorization for the Biological Nutrient Removal Program for grants to projects to remove nutrients at publicly owned sewage treatment works.

Department Response: The Department accepts this recommended action.

2. Recommended Action: Approve the \$4,157,000 general obligation bond authorization for the Supplemental Assistance Program for grants to provide assistance to grant and loan recipients to meet the local share of construction costs for compliance-related wastewater facility improvements.

Department Response: The Department accepts this recommended action.

3. Recommended Action: Approve the \$3,003,000 general obligation bond authorization for the Maryland Drinking Water Revolving Loan Fund for funds to finance drinking water projects. This funding represents the 20% match to the \$10,959,000 in federal funding.

Department Response: The Department accepts this recommended action.

4. Recommended Action: Approve the \$6,782,000 general obligation bond authorization for the Maryland Water Quality Revolving Loan Fund to provide funds to finance water quality improvement projects. This funding represents the 20% match to the \$33,910,000 in federal funds.

Department Response: The Department accepts this recommended action.

5. Recommended Action: Approve the \$500,000 general obligation bond authorization for the Mining Remediation Program to provide funds to design, construct, and equip active and passive measures to remediate damage to water quality related to abandoned mining operations.

Department Response: The Department accepts this recommended action.

6. Recommended Action: Approve the \$2,661,000 general obligation bond authorization for the Water Supply Financial Assistance Program to provide funds for assistance to State and local government entities to acquire, design, construct, rehabilitate, equip, and improve water supply facilities.

Department Response: The Department accepts this recommended action.

7. Recommended Action: Approve the modification of Chapter 424 of 2013 to de-authorize \$550,000 in general obligation bond authorization for the Supplemental Assistance Program to provide a grant to Talbot County for the design and construction of sewer system infrastructure to support the Shore Health System Regional Medical Center. The water and sewer line construction for the proposed Medical Center has been delayed, and there is no definite schedule for project construction.

Department Response: The Department accepts this recommended action and will work with the Department of Budget and Management and Talbot County to fund this project when the project is ready to proceed.

8. Recommended Action: Approve the modification of Chapter 424 of 2013 to de-authorize \$450,000 in general obligation bond authorization for the Water Supply Financial Assistance Program to provide a grant to Talbot County for the design and construction of water system infrastructure to support the Shore Health System Regional Medical Center. The water and sewer line construction for the proposed Medical Center has been delayed, and there is no definite schedule for project construction.

Department Response: The Department accepts this recommended action and will work with the Department of Budget and Management and Talbot County to fund this project when the project is ready to proceed.