

## Maryland Department of the Environment

### **Fiscal Year 2018 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 all of the recommended actions and is prepared to discuss the items as requested.

#### Performance Measures and Outputs

**1. Hazardous Substance Clean-Up Program: DLS recommends that MDE comment on the number of orphan sites for fiscal 2014 to 2016 relative to the Hazardous Substance Clean-Up Program activity levels.**

**Department Response:** The number of orphan sites for fiscal 2014 to 2016 relative to the Hazardous Substance Clean-Up Program activity levels is relatively static. In fiscal 2014, the Hazardous Substance Clean-Up Program was actively involved in nine projects, in fiscal 2015, fifteen projects and in fiscal 2016, nine projects. It is difficult to project the number of future orphan sites based on past activity. Typically sites are referred to MDE for further investigation from (1) citizen complaints; (2) referrals from County Health Departments; (3) referrals from other State agencies; or (4) internal referrals and investigations. The department attempts to identify a viable responsible person to either undertake the environmental investigation or reimburse the department for its activities. If no viable responsible person is identified, or a responsible person enters bankruptcy before the environmental activities are completed, a site is designated as an "orphan site". This process introduces uncertainty into the process of projecting the number of orphan sites the department needs to address for future years.

#### Issues

**1. Bay Restoration Fund Expanded Uses: DLS recommends that MDE comment on the proposed fiscal 2018 and future year allocation plan for the BRF and whether it will continue to be an effective source of funding even though spread across so many diverse uses.**

**Department Response:** The Bay Restoration Fund (BRF) Wastewater Fund is estimated to have \$60 million available annually for nutrient reduction projects, after accounting for revenue bond debt service payments, operations & maintenance grants and administrative expenses. MDE anticipates:

- Approximately \$10 million annually to be used to construct cost-effective enhanced nutrient removal (ENR) upgrades at minor wastewater treatment plants;
- Approximately \$10 million annually to be used to construct cost-effective biological nutrient removal (BNR) upgrades at minor wastewater treatment plants. This assumes HB384/SB343 will pass this session, allowing both BNR and ENR costs to be funded with 100% grant funds from the BRF;
- Up to \$10 million annually will be allocated for cost-effective purchases of nitrogen, phosphorus and sediment reductions, assuming HB41/SB314 pass this session allowing this use of the BRF.

The remaining balance of \$30 million per year will be allocated to capital projects based on the Integrated Project Priority System ranking (mentioned on page 35 of the analysis). The BRF grant will fund capital

projects involving septic to sewer connections, existing sewer rehabilitation (e.g., for reduction of combined/sanitary sewer overflows) and stormwater best management practices undertaken by local governments to comply with their MS4 permits.

**2. Energy-Water Infrastructure Program Reported: DLS recommends that the \$50,000 in special funds restricted pending submission of the report on the actual allocation of Energy-Water Infrastructure Program project funding be released.**

**Department Response:** The department accepts this recommendation.

**Pre-Authorizations and De-Authorizations**

**1. DLS recommends approval of the de-authorization of \$11,000,000 of GO bond authorization for the BNR Program in fiscal 2017.**

**Department Response:** The department accepts this recommendation.

**PAYGO Recommended Actions**

**1. Concur with Governor's allowance of \$91,222,000 in special funds and \$32,315,000 in federal funds for the Water Quality Revolving Loan Fund.**

**Department Response:** The department accepts this recommended action.

**2. Recommended Action: Concur with Governor's allowance of \$500,000 in general funds for the Hazardous Substance Clean-Up Program.**

**Department Response:** The department accepts this recommended action.

**3. Recommended Action: Concur with Governor's allowance of \$12,879,000 in special funds and \$10,299,000 in federal funds for the Drinking Water Revolving Loan Fund.**

**Department Response:** The department accepts this recommended action.

**4. Recommended Action: Concur with Governor's allowance of \$60,000,000 for the Bay Restoration Fund – Wastewater Projects.**

**Department Response:** The department accepts this recommended action.

**5. Recommended Action: Concur with Governor's allowance of \$15,000,000 for the Bay Restoration Fund – Septic Systems.**

**Department Response:** The department accepts this recommended action.

**6. Recommended Action: Concur with Governor's allowance of \$8,000,000 for the Energy-Water Infrastructure Program.**

**Department Response:** The department accepts this recommended action.

**GO Bond Recommended Actions**

1. **Recommended Action:** Approve the Biological Nutrient Removal Program authorization of \$49,089,000 in revenue bonds from the Bay Restoration Fund – Wastewater Projects to provide funds to the Water Pollution Control Fund for projects to remove nutrients from discharges at publicly owned sewage treatment works.

**Department Response:** The department accepts this recommended action. If HB384/SB343 is enacted, MDE requests that BNR projects be funded in a manner consistent with the language in the bill.

2. **Recommended Action:** Approve the Drinking Water Revolving Loan Fund authorization of \$5,825,000 in general obligation bonds to finance drinking water projects. The authorization reflects the 20% match to federal funding for fiscal 2017 and 2018 since the fiscal 2017 general fund match funding is targeted for reversion to the General Fund.

**Department Response:** The department accepts this recommended action.

3. **Recommended Action:** Approve the Water Quality Revolving Loan Fund authorization of \$13,255,000 in general obligation bonds to finance water quality improvements. The authorization reflects the 20% match to federal funding for fiscal 2017 and 2018 since the fiscal 2017 general fund match funding is targeted for reversion to the General Fund.

**Department Response:** The department accepts this recommended action.

4. **Recommended Action:** Approve the Mining Program authorization of \$500,000 in general obligation bonds 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.

5. **Recommended Action:** Approve the Water Supply Financial Assistance Program authorization of \$1,944,000 in general obligation bonds for assistance to State and local government entities to acquire, design, construct, rehabilitate, equip, and improve water supply facilities. Of these funds, \$500,000 is programmed to be used to provide a grant to the town of Rising Sun for the design and construction of a new water supply to the town of Rising Sun.

**Department Response:** The department accepts this recommended action.

6. **Recommended Action:** Approve the de-authorization of \$11,000,000 in general obligation bonds from fiscal 2017 for the Biological Nutrient Removal Program given that Bay Restoration Fund – Wastewater Projects revenue bond authorization will be used instead.

**Department Response:** The department accepts this recommended action.