



Maryland Department of the Environment
Fiscal Year 2022 Capital Budget Hearing
Response to Department of Legislative Services Analysis

Testimony of
Ben Grumbles, Secretary

House Appropriation Committee
Capital Budget Subcommittee
Delegate Ben Barnes, Chair
February 23, 2021

Senate Budget and Taxation Committee
Capital Budget Subcommittee
Senator Douglas J.J. Peters, Chair
February 23, 2021

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

Issues

1. Bay Restoration Fund Balance Projections: The committees may wish to consider directing that a portion of the fund balance be used on a one-time basis to fund other critical environmental capital projects programmed to receive GO bonds in fiscal 2022.

Department Response: The DLS recommendation to redirect a portion of the BRF fund balance is based on revenue estimates, not on actual revenues. MDE, in conjunction with DBM, opted to maintain a conservative approach regarding revenue estimates in the near-term so that the State does not overcommit grant funds for capital improvement projects. The department manages the cash flow of the BRF as diligently as possible to ensure that there is sufficient cash to reimburse local governments in a timely manner.

There are several factors that could impact BRF revenues in fiscal 2021 and beyond, including:

- the Governor's Executive Orders prohibiting termination of residential services and the imposition of late fees, originally issued on March 16, 2020, and ultimately extended through September 1, 2020;

- the Public Service Commission’s prohibition on residential utility service terminations through November 15, 2020;
- local actions such as Baltimore City’s April 22, 2020 action to institute a water bill discount through December 31, 2020, including removal of the Bay Restoration and stormwater remediation fees on water bills;
- existing BRF hardship exemptions in 128 jurisdictions;
- the manner the BRF is billed on commercial users, which is on a consumption basis, meaning if commercial businesses are shut down or operating at reduced capacity, their water and sewer consumption is decreased, thereby reducing their BRF fee; and
- some counties bill the BRF fee on their tax bills, so any impacts from this group of payees would not be seen until fiscal 2022.

Given that the State is still in the midst of the COVID-19 Pandemic, any and all of these issues may impact BRF revenues. To date there have not been significant impacts in BRF revenue collections. Despite this, the department believes it is prudent to take a conservative approach in estimating BRF revenues and expects to have a better understanding of what the impact to the BRF will be after all FY21 revenues have been collected. If revenues are consistent with the pre-pandemic levels at the end of fiscal 2021, MDE will adjust its revenue projections going forward and continue to provide the historical levels of funding.

Efforts to divert current BRF funds due to projected future revenues could hinder MDE’s ability to manage the Fund properly resulting in needing to defer funding for projects that have previously been committed to and approved by the General Assembly or reduce the level of BRF funding for projects in future budgets. The grant funding MDE provides through the BRF is particularly important to many disadvantaged communities, as the grant funding makes their projects affordable, and ultimately many of the projects may not move ahead or would be further delayed without this grant funding.

The department commits to working with DLS and the subcommittees regarding this recommendation.

PAYGO Recommended Actions

1. Recommended Action: Concur with Governor’s allowance

Department Response: The department accepts this recommended action.

GO Bond Recommended Actions

1. Recommended Action: Approve the \$5,959,000 general obligation bond authorization for the Comprehensive Flood Management Program to provide funds to local governments for projects that reduce the risk of loss of life and property from flooding.

Department Response: The department accepts this recommended action.

2. Recommended Action: Approve the \$4,034,000 general obligation bond authorization for the Maryland Drinking Water Revolving Loan Fund to provide funds to finance drinking water projects.

Department Response: The department accepts this recommended action.

3. Recommended Action: Approve the \$7,687,000 general obligation bond authorization for the Maryland Water Quality Revolving Loan Fund to finance water quality improvement projects.

Department Response: The department accepts this recommended action.

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

Department Response: The department accepts this recommended action.

5. Recommended Action: Approve the \$3,000,000 general obligation bond authorization for the Supplemental Assistance Program to provide grants to assist grant and loan recipients to meet the local share of construction costs for wastewater facility improvements.

Department Response: The department accepts this recommended action.

6. Recommended Action: Approve the \$2,557,000 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 deauthorization of \$356,155 in general obligation bond authorization from the fiscal 2016 funding provided for the Supplemental Assistance Program attributable to the Smith Island Clean Water Project.

Department Response: The department accepts this recommended action.