

**Maryland Department of the Environment
Fiscal Year 2026 Operating Budget
Response to the Department of Legislative Services Analysis**

**Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Senator Michael A. Jackson, Chair
February 21, 2025**

**House Appropriations Committee
Transportation and Environment Subcommittee
Delegate Courtney Watson, Chair
February 24, 2025**

P. 9. MDE should comment on why it has not posted the Childhood Blood Lead Surveillance in Maryland 2022 annual report, given that calendar 2022 data is available from MDH; the status of the 2023 annual report; and why there appear to be discrepancies between the child blood lead data reported between agencies and data submissions.

Department Response:

- MDE apologizes for the late submission of these reports, which have now been submitted.
- Discrepancies between the child blood lead data reported between agencies is likely the result of different data tracked by MDE and MDH. MDE reports data for persons 0 to 72 months. While MDH uses MDE child blood lead data as a basis for their national data reporting as part of the Centers for Disease Control and Prevention (CDC) tracking program, MDH uses different measures, brackets, categories, and denominators for their reporting.

P. 13. MDE should comment on why the following measures are no longer reported and the most recent data and trends for each measure: percentage of PIA responses issued within 30 days; and permits processed within applicable standard time. MDE also should comment on why the number of permits issued decreased between fiscal 2023 and 2024, despite the increase in the number of permits received.

Department Response:

- PIA: In accordance with the Governor’s State Plan, MDE adjusted our annual reporting metrics. MDE has maintained high response times with the

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implementation of a 10-day Findings Letter rule, reducing the typical turnaround time from 30 days to 10. Weekly reminders of requests open for at least 5 days ensure record custodians address requests promptly. The following lists MDE's percentage of PIA responses issued within 30 days over the past several years:

- FY23: 95.49%
- FY24: 91.24%
- FY25 to date: 99.05%
- FY26 Estimate: 98%
- Permits: MDE's FY24 Annual Enforcement and Compliance Report reports the following:
 - Numbers of permits/licenses issued:
 - 2023: 7,879
 - 2024: 11,798
 - Number of permits/licensees in effect at FY end:
 - 2023: 70,840
 - 2024: 70,222
 - MDE notes that the difference between these two years is only a .01% change and does not represent a notable decline or change in operations.

P. 14. Section 21 of the fiscal 2025 Budget Bill added a \$250,000 general fund appropriation within the Water and Science Administration for the purpose of providing a grant to the City of Hagerstown to fund a long-range water and wastewater infrastructure needs study. A public request for proposals (RFP) does not appear to have been issued for the study. MDE should comment on the current status of the funding.

Department Response:

- Maryland's Water and Science Administration had a direct conversation in May 2024 with the Director of Hagerstown Utilities and requested Hagerstown develop a draft scope of work and budget for the water and wastewater infrastructure needs study. That conversation was followed by an email to the Director, identifying this path forward as necessary to execute a contract between MDE and the City. MDE last reached out in August 2024. MDE remains ready for a response from the City.
- Until the study scope/budget is drafted and approved, MDE cannot proceed to execute an MOU with the City for this project.

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P. 19. MDE should explain the reasons for the miscellaneous adjustments in the fiscal 2026 budget. The Department of Legislative Services (DLS) recommends that the \$200,000 in general funds restricted in MDE's fiscal 2025 budget be released. A letter to this effect will be processed after the hearings if no objections are raised by the committees.

Department Response:

- Miscellaneous adjustments are in the budget as placeholders for the contingent special fund appropriations related to the fee bills. If the fee bills pass, the appropriation will be reallocated to the appropriate subobject codes. The funding will be allocated to offset the increase in personnel costs (COLA, steps, and health insurance) and the increased fringe benefits due to the contractual conversions. This funding will also enable MDE to reduce the vacancy rate.

P. 20. DLS recommends adding a provision in the BRFA authorizing the fiscal 2026 funding for the Clean Water Commerce Account to be used to defray operating expenses in the Water and Science Administration in fiscal 2026 only, given the delay in solicitations, the ability to use prior year unencumbered funds, and the fiscal situation of the State.

Department Response:

- MDE does not support using Clean Water Commerce Account funds for operational costs. The Clean Water Commerce Act efficiently allocates resources, delivering excellent outcomes for taxpayers. Using these funds for water quality and infrastructure improvements aligns with the recommendations of the Chesapeake Bay Comprehensive Evaluation of System Response (CESR) report. These projects have been highlighted as effective strategies and endorsed by the Committee in the past as a pay-for-performance measure.

P. 28. MDE should comment on how it plans to address the estimated shortfalls due to lower revenue estimates compared to the contingent appropriations supported by the Maryland Clean Air Fund, the Maryland Oil Disaster Containment Fund, the Clean-up and Contingency Fund, and the State Coal Combustion By-Products Management Fund.

Department Response:

- Maryland Clean Air Fund - FY25 Q1 emissions from permitted facilities have declined from previous years. Due to the decline in the permitted emissions, the revenues were adjusted to consider the new data. MDE's Air and Radiation

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Administration (ARA) wanted to take a conservative approach to the revenues. Even with the conservative approach, ARA is anticipating additional enforcement revenues, which will be more than enough to cover the \$.04M shortfall. Additionally, if MDE's fee bill passes, it will lift the \$2M restriction on the fund, and the fund will have a sufficient balance to cover the contingent special fund appropriation.

- Maryland Oil Disaster Containment, Clean-up and Contingency Fund (Oil Control Fund): If a shortfall of \$.9 million occurs, MDE's Land and Materials Administration (LMA) will reduce expenditures to match revenues, use reserves, or use other funds within LMA to cover expenses on an as-needed basis.
- State Coal Combustion By-products Management Fund (Solid Waste Program): The Solid Waste Program has sufficient reserves to cover the shortfall.
- Mining Program: The Mining Program has a sufficient balance to cover the contingent special fund appropriation without the need for additional revenues.
- General Note on Fee Bill Appropriation - The difference between the estimated fee revenue and the contingent special funds appropriations is due to fee revenue estimates being revised since fall 2024. MDE will continue to monitor fee revenue projections, but at this time does not expect a FY 2026 deficiency of \$1.4 million general funds will be necessary.

P. 29. MDE should discuss the status, allocation, budgeted funding, timing of budgeted funds, and planned uses for all IIJA and IRA funding.

Department Response:

- MDE is tracking the status of all IIJA and IRA funding on a daily basis and working closely with peer agencies, partner states, and the Attorney General's Office to ensure MDE can spend the awarded federal funds.
- Regarding the funding specifically noted in the DLS analysis:
 - \$51.4 million solely: The Climate Pollution Reduction Grant for \$50M has not been awarded and is currently suspended.
 - Environmental and Climate Justice Block Grants for \$1M has a sub-award agreement in place for \$951,387 and the grant is currently suspended with the remaining budget allocated towards salaries.
 - The FY22 Flood Mitigation Assistance \$2.4 million with MDEM, which requires a match of \$0.8 million has been awarded.
 - Climate pollution reduction is the single largest category of funding for which MDE and MDEM have applied. MDE also applied for an additional \$178.0 million that was not awarded and the grant is currently suspended.

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- Additionally, please note that Exhibit 7, page 30, can be updated at this point. The chart is accurate as of October 2024, but MDE has since received an additional Climate Pollution Reduction Planning grant for \$3 million and an additional Climate Pollution Reduction Implementation grant for \$80 million, which would not have been reflected in the fall 2024 reporting to DBM.

P. 33. MDE should comment on how the spending report informs State prioritization of climate change mitigation spending, whether the public sector need to commit \$1 billion to climate change mitigation was considered part of or in addition to the \$3.1 billion noted in the spending study, and whether there has been any discussion about using a statewide budget code to track greenhouse gas emission reduction spending and expanding the use of georeferencing tools to determine whether agency projects are in census tracts with disproportionately affected communities.

Department Response:

- The Climate Pollution Reduction Plan identified the need for approximately \$1 billion in new funding for climate investments, separate from already existing state funding going toward climate change mitigation. The \$1 billion figure represented an estimate of new investment needed to catalyze spending to accelerate the transition toward a new green economy. The Plan was published approximately halfway through FY24, so the FY24 funding analysis largely reflects existing state funding at the time, not what the Plan would consider new funding.
- The most recent GHG Spending Analysis, released in January 2025, increases the number of agencies surveyed (26 agencies) to align with Governor Moore's Executive Order 01.01.2024.19, directing those agencies to develop climate implementation plans. Agencies have utilized agency implementation plans to identify FY26 and FY27 priorities that can directly support the Climate Pollution Reduction Plan. Future GHG Spending Analyses are well-positioned to capture spending along these priorities. MDE's new Climate Vulnerability Tool was also developed and distributed to directly support all state agencies in targeting and reporting relevant programming in disproportionately affected communities.
- The Climate Subcabinet, with MDE staff support, will continue working with agencies to ensure implementation of agency climate plans remains aligned with agency spending reported each year in the GHG Spending Analysis.
- Finally, DBM and MDE are working together to develop and implement tools that can enhance climate tagging and tracking within the annual budget process, such as the budget code and georeferencing tools discussed in the question.

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P. 38. MDE should comment on the likely timing of the final statewide recycling needs assessment publication. MDE should also comment on whether there will be a recommendation for the Circular Action Alliance -- the producer responsibility organization -- to reimburse the State for the project oversight of the statewide recycling needs assessment, the timing of this reimbursement, and whether there will be future fee revenue to support MDE's extended producer responsibility work.

Department Response:

- MDE expects to publish the Needs Assessment as early as the date of this hearing, or within one week of it at the latest.
- MDE concurs with seeking reimbursement for the Needs Assessment and program costs; the EPR Advisory Council has also recommended reimbursement to MDE. MDE will assess the potential for using fees in the future to support anticipated and ongoing oversight costs.

P. 40. MDE should comment on the outcome of any trainings on building energy performance standards implementation by building owners and the amount in the fiscal 2026 budget that addresses the funding needs identified for implementation of the building energy performance standards regulations and associated proposed regulations.

Department Response:

- MDE continues to actively hold trainings and stakeholder consultations to begin implementing the BEPS program beyond the January 21 meeting described in the analysis. MDE has held or participated in dozens of webinars, training sessions, and outreach events on BEPS, and is coordinating 9 different working groups on implementation topics.
 - The January 21 data preparedness webinar was well attended, with 46 participants.
- As of FY25, MDE has eight positions dedicated to implementing BEPS: three provided in the FY24 budget and five provided in the FY25 budget.
- HB49/SB256 would add a small annual reporting fee for covered buildings that would raise approximately \$1 million per year, which would allow MDE to maintain a new online reporting system and hire additional positions to implement the program. Those proceeds are reflected in the FY26 budget as special fund appropriation and 3 positions contingent upon that bill passing.

P. 40. DLS recommends that committee narrative be adopted on the submission of the Maryland Scrap Tire annual report on November 1, 2025.

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Department Response:

- MDE concurs and will submit the report on November 1, 2025.

P. 41. MDE should discuss why the report was not submitted as requested, despite the receipt of MDA's portion of the report, and the anticipated timeline for submission. In addition, as noted in the MDA operating budget analysis, DLS recommends that committee narrative be adopted requesting the compliance and enforcement inspections and positions information by January 1, 2026.

Department Response:

- MDE apologizes for the late submission. This report requires more internal and external coordination than others and was delayed by our processes. The report has now been submitted.
- MDE concurs with the next report due date of January 1, 2026.

P. 41. MDE should discuss the reason for the change, how Agile consulting services are organized to support the projects, and the projected cost savings from using Agile. In addition, MDE should discuss the reason for the cost increase for the MDE Wells and Septic Portal project and the decision to increase the scope of the MDE Portal project. MDE should also discuss the relationship between the two projects and the agency's overall IT modernization strategy.

Department Response:

- In coordination with DoIT, this permit modernization project was brought in-house using DoIT's Agile team to save costs and better align with the Secretary's vision. The OneStop solution was expensive, with maintenance costs up to \$70K per change, and would not support the modernization services.
- The Agile team will support existing enterprise software and help MDE modernize our permitting and licensing system with the following services: (1) creating an online application portal; (2) allowing for online payments; and (3) creating data visualization tools to determine real-time permit status, showing whether an application is with MDE staff, out for public comment, with a Federal agency, or returned to an applicant or applicant's consultant for feedback.
- Costs have decreased because MDE's own internal project team completed the initial requirements and architecture. This effort reduced costs from \$5.4 million to \$3.7 million by using Modular or Component-Based Architecture, optimizing resources, and reducing redundancy.

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- While this process increased the number of high-risk factors, the project team developed mitigation strategies and is confident in delivering the solution successfully. The project remains on track to provide a cost-effective, standardized, and efficient system in line with MDE's long-term vision.