

**Maryland Department of the Environment
Fiscal Year 2027 Capital Budget
Response to the Department of Legislative Services Analysis**

**House Appropriations Committee
Capital Budget Subcommittee
Delegate Malcolm P. Ruff, Chair
February 23, 2026**

**Senate Budget and Taxation Committee
Capital Budget Subcommittee
Senator Craig J. Zucker, Chair
February 24, 2026**

P. 10. MDE should comment on how it can accelerate grant and loan encumbrance activity such that it matches the demonstrated water quality infrastructure need.

Department Response:

To close the gap between available funding and actual spending, MDE is transforming how we partner with local communities to get water projects under construction faster. We recognize that the record-level federal funding from the IIJA requires a more agile process, so we are shifting our focus toward "ready-to-proceed" projects—those that have already completed their engineering and design phases. To support this shift, we are simplifying application paperwork and providing hands-on technical assistance to smaller towns that may lack the staff to navigate complex requirements. By cutting red tape and helping communities get their plans shovel-ready before they apply, MDE ensures that taxpayer dollars are committed to construction much sooner. This approach allows us to meet Maryland's urgent infrastructure needs while closing loans faster, which in turn allows the State to recycle those funds to help the next community in need.

P. 10. MDE should comment on why no funding requests were made for fiscal 2027, despite the PFAS mitigation plan requirements in Chapters 556 and 557, the overall need for emerging contaminants funding going forward, and the end of IIJA emerging

contaminants funding.

Department Response:

Consistent with the state's 2023 PFAS Action Plan, MDE has prioritized providing monitoring, technical assistance, and PFAS funding for drinking water systems to address immediate public health risks and ensure all 64 impacted systems reach compliance with new federal limits by 2029. To date, approximately half of those systems (representing 80% of impacted MD households) have already received funding, MDE is using nearly all available federal resources for this purpose. To ensure no community is left behind, we are conducting a follow-up review this summer to identify remaining infrastructure funding needs for drinking water systems that must take steps to comply with federal standards by 2029. While we received one application for wastewater funding in fiscal 2027, the project was not yet "shovel-ready," so we directed those resources to drinking water projects where the public health need was more urgent and the construction plans were finalized.

The new requirements under Chapters 556 and 557 focus on a different strategy: stopping PFAS at the source—specifically from industrial sites—before it even reaches our wastewater treatment plants. This "pretreatment" work is a regulatory initiative managed through existing state permit programs that hold polluters accountable for reducing their own discharges. Because this is an oversight and enforcement process rather than a state-funded construction effort, it does not require new federal capital. By combining strategic grants for drinking water with rigorous industrial oversight, Maryland is effectively reducing "forever chemicals" in our environment as federal funding cycles wind down.

P. 13. MDE should comment on why the encumbrance levels peaked in fiscal 2021 and then declined for the fiscal 2022 to 2025 time period. MDE should also comment on, in general, the project readiness to proceed for selected projects given the low encumbrance levels, whether there is any distinction between loan and subsidy recipients in terms of the associated level of timely encumbrance activity, and what technical assistance or process changes that MDE or other State agencies could effectuate to help local jurisdictions encumber funds in a timely manner.

Department Response:

The 2021 peak in encumbrances was followed by a temporary adjustment period as both MDE and our local partners adapted to the historic influx of federal IIJA funding. This massive increase in available capital meant many communities needed extra time to build the local management capacity required to handle multiple large-scale construction contracts simultaneously. We have observed a clear distinction in timing between funding types: communities eligible for subsidies often apply much earlier in

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the planning phase than loan recipients, which naturally extends the time it takes to reach the construction stage. To bridge this gap, MDE is providing more hands-on technical support during the early planning stages and is streamlining our application process to favor "ready-to-proceed" projects that can break ground immediately. By simplifying paperwork and prioritizing projects that have already completed their engineering reviews, we expect to see a steady and significant increase in encumbrance levels starting in fiscal 2027.

P. 15. MDE should comment on when it will have a complete lead service line inventory for the State that informs how the \$43.5 million in fiscal 2027 unallocated federal funding should be most effectively distributed to reduce exposure to lead service lines.

Department Response:

MDE is working urgently to move from mapping pipes to actually replacing them. Because federal rules require every water system to first identify where lead pipes exist, much of our initial funding has supported these mandatory inventories. As of our latest planning cycle in FY26, we are seeing a major shift: of the 28 projects currently slated for funding, 17 are now dedicated to full replacement rather than just mapping. We are releasing a formal plan for public comment shortly that outlines exactly how \$43.5 million in fiscal 2027 funds will be used based on the most recent applications from local communities. Our goal is to help towns finish their inventories quickly so they can immediately tap into these millions of dollars to get lead pipes out of the ground. By prioritizing "ready-to-replace" projects in our scoring system, we ensure this funding goes directly to the areas with the highest known risks and the most prepared construction plans.

P. 17. MDE should comment on the status of efforts to improve the timeliness and detail of the Comptroller's BRF revenue reporting.

Department Response:

MDE has strengthened its partnership with the Comptroller's Office to ensure Bay Restoration Fund (BRF) reporting is more reliable and transparent. While these reports were previously inconsistent, MDE now receives regular quarterly updates, allowing us to track revenues and resolve any discrepancies. We are continuing to work with the Comptroller to improve the level of detail in these reports so we can better monitor revenue trends and ensure every dollar is effectively invested in Maryland's clean water goals.

P. 24. The Department of Legislative Services recommends that MDE comment

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on the status of Building Resilient Infrastructure and Communities program funding for the City of Crisfield, the Middle Branch Resiliency Initiative, and other projects in Maryland impacted by the court ruling.

Department Response:

While a federal court recently ruled that the cancellation of the BRIC program was unlawful, the funding remains frozen at the federal level, leaving critical Maryland projects in limbo. To prevent these projects from stalling, MDE is stepping in with alternative financial solutions. For the Middle Branch Resiliency Initiative, we are working directly with developers to identify and apply for other grant sources to keep construction on track. Regarding Crisfield, the City has sought MDE assistance for wastewater infrastructure upgrades, but has not yet applied to MDE's Comprehensive Flood Management Program. To support jurisdictions across Maryland, including Crisfield, MDE has proposed a customized two-part loan strategy to keep critical infrastructure projects moving forward: a short-term, low-interest loan to complete project design, followed by a long-term construction loan to keep implementation affordable for the community. In all of this work, we remain committed to supporting our local partners, ensuring vital flood protections move forward, and strengthening community resilience, regardless of ongoing delays in Washington.