

Task Force on Sustainable Growth and Wastewater Disposal Funding Sustainable Communities & Growth Workgroup

**Workgroup Progress Report
October 25, 2010**

Funding Sustainable Communities & Growth Workgroup

Overview

- Active and diverse workgroup had several additional meetings.
- Funding Plan to address reduction of 7.6M lbs of N from “developed lands” and make smart growth investments.
- “ Developed Lands”: ENR upgrades to 6 remaining major plants and 10 major-minor plants, septic upgrades or connections to ENR plants and stormwater bmps.
- 2 overarching consensus goals: increase one fee (BRF) and match increased revenues with estimated costs to essentially close funding gap.
- A variety of BRF fees increases explored for 2020 and 2025 deadlines.
- Some clarifications and dangling modifiers remain from workgroup members’ comments on 10/25 report.

Recommendation #1:

Extend Maryland's timeframe for meeting its TMDL obligations to 2025 as required by EPA with additional accountability measures.

Recommendation #2:

Increase BRF revenue as follows in order to cover existing shortfall in major WWTP ENR upgrades and essentially close the funding gap for implementing other WIP requirements from developed lands:

- 2A): Increase average annual residential fee rate to \$60/year/dwelling unit beginning in SFY13 and \$90/year/dwelling unit beginning in SFY15. Increase average non-residential fee rates and cap accordingly.**
- 2B): Index the residential and commercial fee rates to the Consumer Price Index (CPI) beginning in SFY16. Establish an annual floor for the index of 1% and a ceiling of 3%.**
- 2C): Conduct a thorough evaluation of progress to date in 2017 and restructure the fee rates accordingly if progress to meet our TMDL obligations by 2025 is not being met.**
- 2D): Sunset the rate increases back to an average annual residential fee of \$30/year/dwelling unit beginning in 2030 if TMDL obligations are met and any remaining debt is retired: or consider eliminating the fee entirely. Sunset average non-residential rates and cap similarly.**

Recommendation #3:

Revise authorized uses of BRF funding to better meet needs of developed lands:

- 3A): Remove funding for cover crops as an authorized use of the BRF. Amend statute enabling the Chesapeake and Coastal Bays Trust Fund to require that all State funding for cover crops come from the Trust Fund at annual levels no less than the combined SFY12 BRF and Trust Fund cover crop levels.**
- 3B): Amend BRF enabling statute to permit funding of stormwater retrofits as an authorized use of the BRF funds.**

Recommendation #4:

Maximize cost effectiveness and efficiencies of state-funded projects utilizing BRF revenue through competition, targeting, and leveraging funds.

- 4A): BRF funds should be awarded to local jurisdictions through a competitive process in which awards are determined primarily on the goal of maximizing the pounds of nitrogen reduced per state dollar expended.**
- 4B): Pounds of nitrogen reduced for septic systems and stormwater projects should be based on scientifically defensible analysis of watershed areas with the highest septic or stormwater nitrogen loads and immediacy of delivery of nutrients to the Bay. Maps resulting from the above two analyses should be published and made readily available to applicants.**
- 4C): Competitive grants for 10 major/minor WWTPs upgrades to ENR should be prioritized based first on those areas of the State in which growth is projected to occur without the availability of public sewer, and secondarily on resulting nutrient reduction benefits.**

Recommendation #5:

Expenditure of BRF funds should be maximized by implementing the following:

- 5A): Change the current 100% BRF funding requirement for failing septic systems in the Critical Area to match the income based scale currently used for septic systems outside of the Critical Area. The State should provide between 25% - 100% of upgrade to BAT dependent upon income. The State should continue to provide \$13,000 (average cost of a BAT upgrade) toward connection of a failing septic system to an ENR WWTP.**
- 5B): State should provide up to 50% cost share for stormwater retrofit projects based on the above competitive priority ranking system.**
- 5C): State should continue to allow up to 10% of total BRF revenue to go to ENR WWTP operations and maintenance, but with a cap of \$5 million per year.**

Recommendation #6:

Revise current statutory restrictions on BRF funded connections of septic systems to existing WWTPs to better reflect Smart Growth objectives.

Recommendation #7:

Provide billing authorities the option to base BRF fee structures on water usage (vs current flat rate) but not on income.

Options for Future Consideration

1. Revise current statutory restrictions on BRF funded connections of septic systems to existing WWTPs to better reflect Smart Growth objectives (Recommendation #6 above).
2. Option of allowing local jurisdictions to issue bonds for authorized projects with payback over time from BRF revenue. This option is awaiting legal opinion from DBM.
3. Further refinement of identification and prioritization of major minor WWTPs for ENR upgrade, including option of regional plants that combine several existing, smaller plants.
4. Incentivizing private capital through offsets, trading, etc.
5. Developing stewardship standards for property owners, and option of BRF fee reduction credits for implementation.
6. Possible role of Maryland Environmental Service in implementing projects, particularly including bundling smaller projects for greater cost efficiencies.