

## 2005 INNOVATIONS AWARDS PROGRAM

### APPLICATION

**Deadline: April 4, 2005**

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1. Program Name: Chesapeake Bay Watershed Restoration Fund
2. Administering Agency: Maryland Department of the Environment (MDE)
3. Contact Person (Name and Title): Sue Battle-McDonald, Strategic Planning Coordinator
4. Address: 1800 Washington Blvd., Baltimore, MD 21230
5. Telephone Number: 410-537-4111
6. FAX Number: 410-537-3888
7. E-mail Address: [sbattle-mcdonald@mde.state.md.us](mailto:sbattle-mcdonald@mde.state.md.us)
8. Web site Address: [www.mde.state.md.us/Water/CBWRF/index.asp](http://www.mde.state.md.us/Water/CBWRF/index.asp)
9. Please provide a two-sentence description of the program. This program establishes an innovative new funding mechanism to support capital improvements to wastewater treatment plants and other measures that are essential for restoration of the Chesapeake Bay. New fees paid by properties on public sewerage (through their water/sewer bills) and by those using septic systems are generating revenue to (a) service bonds that will pay for the \$700 million to \$1 billion required to upgrade all major wastewater treatment plants; (b) upgrade septic systems, and (c) fund agricultural cover crops activities.
10. How long has this program been operational (month and year)? **Note: the program must be between 9 months and 5 years old on May 1, 2005 to be considered.**

This program was officially established on July 1, 2004.

11. Why was the program created? What problem[s] or issue[s] was it designed to address? **Indicate how the program applies to the "change driver" that you listed above.**

This program was created because population growth has had significant impacts on the water quality and living resources of the Chesapeake Bay. In order to restore water quality in the Bay, significant capital investments are required. This program will assist in fulfilling Maryland's commitment under the 2000 Chesapeake Bay Agreement, while allowing for planned growth within the State-designated Priority Funding Areas and the newly approved Priority Places. Before this program, the funding available was not nearly adequate to achieve the enhanced nutrient removal upgrade at all the major wastewater treatment plants in the Chesapeake Bay.

12. Describe the specific activities and operations of the program in chronological order.

- a. Staff are hired to run the program, and program workplans, procedures, and infrastructure are established.
- b. Local governments begin collecting an additional "Bay Restoration Fund Fee" of \$2.50 per month with residential water/sewer bills, as well as a fee of varying amounts on commercial water/sewer bills. In October 2005, properties with septic systems will begin paying \$30 per year as well.
- c. MDE enters into agreements with local governments and others who own and operate wastewater treatment plants to provide them with grants to support critical upgrades to these plants to improve the quality of their effluent to the levels of 3 mg/l total nitrogen and 0.3 mg/l total phosphorus.
- d. MDE sells bonds to raise the funds for these local grants, and services the bonds with proceeds from the fees collected.

13. Why is the program a new and creative approach or method?

No other state has used this approach to support capital expenditures for water quality improvement.

14. What were the program's start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.)

Engineering study to estimate the cost of enhanced nutrient removal upgrade	\$209,000 (Funded by EPA grants)
3 full-time equivalents (FTEs) - one Program Manager and others who work on program activities part-time	\$210,000 (based on \$70,000 per FTE)
<b>Total</b>	<b>\$419,000</b>

15. What are the program's annual operational costs?

The law that established this new program allows annual operation costs to be paid by the collected fees for up to the following amounts:

Local Governments/Billing Authorities	\$3,700,000 (\$74M* 5%)
Maryland Dept. of the Environment	\$1,430,000 (\$59M*1.5%+\$11.4M*8%*60%)
Comptroller's Office	\$370,000 (\$74M*0.5%)
Maryland Department of Agriculture	\$70,000 (\$11.4M*1.5%*40%)
Total Operational Cost Up to	\$5,570,000 or ~7.5% of the fund

16. How is the program funded?

As noted above, this program is funded through fees on sewer/water bills and on properties with septic systems.

17. Did this program require the passage of legislation, executive order or regulations? If YES, please indicate the citation number.

Yes, this program was created by "Bay Restoration Fund" legislation enacted by Maryland's legislature in 2004. It appears in Maryland's Environment Article, sections 9-1601 et al, and in the Agriculture Article, sections 8-801 et al.

18. What equipment, technology and software are used to operate and administer this program?

No additional equipment beyond what is already being used by the state agencies. Local governments and billing authorities have upgraded their existing billing systems to collect the fee from homes and businesses on public sewer and/or water. Billing system options are being evaluated for homes and businesses on septic systems.

19. To the best of your knowledge, did this program originate in your state? If YES, please indicate the innovator's name, present address, telephone number and e-mail address.

Yes, this program originated in Maryland. Governor Robert L. Ehrlich, Jr. and his administration proposed the bill and worked with the legislature and key stakeholders to see it enacted. The person and contact information appearing above can be used as the Administration's representative.

20. Are you aware of similar programs in other states? If YES, which ones and how does this program differ?

No, we are not aware of similar programs in any other state. We have been contacted by many other states that are planning on using this program as a model for their states.

21. Has the program been fully implemented? If NO, what actions remain to be taken?

Implementation is ongoing. Key future actions will include beginning collection of the annual fee from properties with septic systems and upgrading all 66 major wastewater treatment plants – those with flows exceeding half a million gallons per day - with bonds supported by this program.

22. Briefly evaluate (pro and con) the program’s effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples.

This program was created to address the problem of inadequate funding for capital improvements at wastewater treatment plants. It represents an extremely successful approach to that problem, in that it provides a dedicated, ongoing funding source.

23. How has the program grown and/or changed since its inception?

No.

24. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?

Building the political consensus to support new fees would be challenging for any state attempting to adopt a similar program. Also, for states with large numbers of septic systems, identifying, and finding a way to collect the fee from, all these properties may be difficult.

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**CSG Innovations Awards 2005**

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