

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 609 (Senator Jennings)
Education, Health, and Environmental Affairs

Environment - Bay Restoration Fee - Mobile Home Park

This bill reduces the monthly bay restoration fee for a group of up to 25 mobile homes under single ownership, which is connected to an onsite sewage disposal system and does not receive a water bill, from \$5 per user to \$2.50 per equivalent dwelling unit (EDU); an EDU is a usage-based measure, generally equivalent to 250 gallons of wastewater effluent per day, on average.

Fiscal Summary

State Effect: Special fund revenues for the Maryland Department of the Environment (MDE) and the Maryland Department of Agriculture (MDA) decrease beginning in FY 2015 from a reduction in bay restoration fees paid by specified mobile home park owners. The bill does not directly affect State expenditures.

Local Effect: Although local governments can implement the bill with existing resources, local government revenues decrease from the reduction in septic system upgrade grant revenues paid by MDE; grant expenditures decrease correspondingly.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The bay restoration fee is currently (1) \$5 per month for those receiving an individual water or sewer bill from a billing authority; (2) \$60 per year for each user of an onsite sewage disposal system or sewage holding tank that does not receive a water bill; and (3) \$5 per month for each EDU up to 2,000 EDUs for multiunit residential users that do not receive an individual sewer bill and for nonresidential users, if such users discharge to a wastewater treatment plant. However, there is no similar usage-based

(per EDU) fee calculation for multiunit residential users that discharge to an onsite sewage disposal system. Users that discharge to systems outside of the Chesapeake Bay or Coastal Bays watersheds generally pay one-half of the bay restoration fee as similar users within these watersheds.

A local government or billing authority for a water or wastewater facility is required to establish a financial hardship exemption program for a residential dwelling able to demonstrate substantial hardship as a result of the bay restoration fee.

An EDU is defined as an average daily flow of 250 gallons of wastewater effluent per day unless a local government or billing authority for a wastewater facility had established a lesser number of gallons of daily flow by January 1, 2004.

Background: Chapter 428 of 2004 established BRF, which is administered by the Water Quality Financing Administration within MDE. The main goal of BRF is to provide grants to owners of wastewater treatment plants to reduce nutrient pollution to the Chesapeake Bay by upgrading the systems with enhanced nutrient removal (ENR) technology. The fund is also used to support septic system upgrades and the planting of cover crops.

As a revenue source for the fund, Chapter 428 established a bay restoration fee on users of wastewater facilities, septic systems, and sewage holding tanks, and Chapter 150 of 2012 doubled the fee for most users. Of the revenues collected from users of septic systems and sewage holding tanks, 60% is distributed to MDE's Septics Account for the upgrade of septic systems and 40% is transferred to MDA to provide assistance to farmers for planting cover crops.

Originally, grants and loans made from funds within the Septics Account were used to cover the cost of repairing, replacing, or upgrading a septic system, or for covering the difference in cost between a new conventional system and one utilizing best available technology (BAT) for nitrogen removal. Chapters 225 and 226 of 2008 expanded the uses of the Septics Account to include covering the cost of replacing multiple septic systems in the same community with a new community sewerage system that meets certain nutrient removal standards and satisfies certain conditions. Chapters 492 and 493 of 2011 expanded the uses of the Septics Account to include providing grants or loans for connecting a property served by a septic system to an existing ENR facility.

Through January 31, 2014, a total of \$577.1 million in bay restoration fees had been collected from wastewater facility users and, after administrative costs, \$572.4 million had been deposited in MDE's Wastewater Account. In addition, \$141.9 million had been collected from users of septic systems and sewage holding tanks and, after administrative costs, \$80.0 million had been deposited in MDE's Septics Account, and \$62.0 million

had been provided to MDA to support the planting of cover crops. According to the 2014 *Bay Restoration Fund Advisory Committee Annual Report*, BRF has supported the installation of 4,481 BAT septic systems through the end of fiscal 2013. Additionally, as of December 2013, BRF revenues have supported ENR upgrades to 33 major wastewater facilities, with 21 other facilities under construction and 13 in the planning or design stages.

State Fiscal Effect: Special fund revenues for MDE and MDA decrease beginning in fiscal 2015 from a reduction in bay restoration fees paid by mobile home park owners. A reliable estimate of the decrease in special fund revenues cannot be made at this time due to considerable uncertainty regarding the number of mobile home units that are eligible for the alternative billing approach authorized by the bill and the number of units that are equipped with meters that allow for the assessment of a bay restoration fee under the EDU-based fee structure in the bill.

MDE advises that an EDU is, by definition, based on the measured amount of wastewater effluent discharged; however, a mobile home connected to an onsite sewage disposal system that does not receive a water bill has no meter to measure effluent. Without a meter, a bay restoration fee based on a measure of EDUs may not be assessed, according to MDE. To the extent that all mobile home units pay no bay restoration fee, special fund revenues for MDE and MDA decrease likely by more than \$1.0 million annually.

Alternatively, to the extent that some mobile homes are equipped with a meter, or become equipped with a meter in the future, special fund revenues may decrease by less than \$1.0 million annually. *For illustrative purposes only*, special fund bay restoration fee revenues decrease by about \$239,500 for MDE and \$159,600 for MDA in fiscal 2015, and by at least \$319,300 for MDE and \$212,900 for MDA annually thereafter, under the following information and assumptions:

- 18,100 mobile home units are part of a group of up to 25 mobile homes under single ownership and eligible for payment of a reduced fee under the bill;
- each of these units is, or becomes, equipped with a meter to measure effluent discharge for purposes of the alternative billing method established by the bill;
- 98% of these units are located within the Chesapeake and Atlantic Coastal Bays watersheds and currently pay a fee of \$60 per year, and the remainder are located outside of the watersheds and currently pay a fee of \$30 per year;
- the number of units eligible for the reduced fee increases by about 0.3% each year, which reflects historic growth in the inventory of mobile home units in Maryland, as reported by the U.S. Census Bureau; and

- 60% of revenues collected from users of onsite sewage disposal systems are distributed to MDE for septic system upgrade grants and 40% are distributed to MDA for cover crop payments.

The actual decrease in special fund revenues for MDE and MDA may vary significantly, particularly to the extent that a significant percentage of mobile home units are not equipped with meters and, as advised by MDE, not able to be assessed a fee.

Although the bill does not directly affect State expenditures, special fund expenditures for MDE and MDA decrease as the reduction in bay restoration fees collected result in fewer grants being paid to upgrade septic systems or assist with the planting of cover crops. Additionally, special fund administrative expenditures may decrease, as MDE is authorized to retain up to 8% of Septics Account revenues to cover administrative expenses.

Small Business Effect: Mobile home park owners may incur a meaningful savings from the reduction or elimination of any bay restoration fee liability to the extent that such fee payments are not currently able to be fully recouped by residents. Septic system installers may incur a meaningful reduction in the demand for their services.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Agriculture, Maryland Department of the Environment, Comptroller's Office, Secretary of State, U.S. Census Bureau, Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2014
ncs/lgc

Analysis by: Evan M. Isaacson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510