

**U00A**  
**Department of the Environment**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$36,497	\$35,500	\$34,094	-\$1,407	-4.0%
Contingent & Back of Bill Reductions	0	0	-763	-763	
<b>Adjusted General Fund</b>	<b>\$36,497</b>	<b>\$35,500</b>	<b>\$33,331</b>	<b>-\$2,169</b>	<b>-6.1%</b>
Special Fund	47,968	63,158	71,034	7,876	12.5%
Contingent & Back of Bill Reductions	0	0	-890	-890	
<b>Adjusted Special Fund</b>	<b>\$47,968</b>	<b>\$63,158</b>	<b>\$70,144</b>	<b>\$6,986</b>	<b>11.1%</b>
Federal Fund	29,387	40,695	30,914	-9,781	-24.0%
Contingent & Back of Bill Reductions	0	0	-632	-632	
<b>Adjusted Federal Fund</b>	<b>\$29,387</b>	<b>\$40,695</b>	<b>\$30,282</b>	<b>-\$10,413</b>	<b>-25.6%</b>
Reimbursable Fund	4,851	4,147	4,231	84	2.0%
Contingent & Back of Bill Reductions	0	0	-93	-93	
<b>Adjusted Reimbursable Fund</b>	<b>\$4,851</b>	<b>\$4,147</b>	<b>\$4,138</b>	<b>-\$9</b>	<b>-0.2%</b>
<b>Adjusted Grand Total</b>	<b>\$118,703</b>	<b>\$143,500</b>	<b>\$137,895</b>	<b>-\$5,605</b>	<b>-3.9%</b>

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board reductions. The actual allocations are to be developed by the Administration.

- The overall adjusted change in the Maryland Department of the Environment's (MDE) budget is a decrease of \$5.6 million, or 3.9%. The major change is an increase of \$7.9 million in special fund appropriation for Bay Restoration Fund bond debt service payments, which is offset by reductions in scrap tire projects and one-time federal stimulus funding for diesel emissions reductions, underground storage tank remediation, and Total Maximum Daily Load (TMDL) development.

Note: Numbers may not sum to total due to rounding.

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***Personnel Data***

	<b><u>FY 09 Actual</u></b>	<b><u>FY 10 Working</u></b>	<b><u>FY 11 Allowance</u></b>	<b><u>FY 10-11 Change</u></b>
Regular Positions	979.00	970.00	970.00	0.00
Contractual FTEs	<u>21.20</u>	<u>44.50</u>	<u>45.50</u>	<u>1.00</u>
<b>Total Personnel</b>	<b>1,000.20</b>	<b>1,014.50</b>	<b>1,015.50</b>	<b>1.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	67.90	7.00%
Positions and Percentage Vacant as of 12/31/09	39.00	4.02%

- There is a net increase of 1 new contractual full-time equivalent included in MDE’s fiscal 2011 allowance.
- MDE’s turnover rate is reduced from 7.08 to 7.00%, but this level is greater than the current vacancy rate of 4.02%.

## *Analysis in Brief*

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### Major Trends

***Proposed New Eight-hour Ozone Standard May Be Tough to Meet:*** The proposed new eight-hour ozone standard is well below the current eight-hour ozone levels of Maryland's nonattainment areas.

***Maryland Receives TMDL Development Boost:*** The U.S. Environmental Protection Agency will draft the Chesapeake Bay TMDL, thus allowing Maryland to meet its submission deadline.

### Issues

***Status of MDE's Special Funds:*** Despite the transfers proposed in the Budget Reconciliation and Financing Act (BRFA) of 2010, there are still substantial balances in a number of the Maryland Department of the Environment's special funds. **The Department of Legislative Services (DLS) recommends that a \$2.7 million reduction in general funds be made and that a provision be included in the BRFA of 2010 to allow MDE to expand the use of its balance-carrying special funds to allow it to recover indirect costs from its special funds.**

***Climate Change Programs Underfunded?*** The Greenhouse Gas Emissions Reduction Act of 2009 was passed with the understanding that Strategic Energy Investment Fund funding would be able to support MDE's responsibilities. However, carbon dioxide allowance auction revenue has not come in as anticipated, and yet it is difficult to track the impact on MDE's climate change programs because there is no reporting requirement. **DLS recommends that MDE comment on the level of funding and staffing needed for its climate change programs and its progress toward implementing the provisions of Chapters 171 and 172 of 2009 (Greenhouse Gas Emissions Reduction Act of 2009). In addition, MDE should comment on how it is using Strategic Energy Investment Fund monies in fiscal 2010 and 2011. Committee narrative is recommended to request a report on Strategic Energy Investment Fund expenditures for the fiscal 2012 budget submission.**

***Report on Full and Timely Information Technology Project Disclosure:*** A report was requested in the 2009 *Joint Chairmen's Report* (JCR) on how MDE will provide full and timely disclosure on the status of information technology projects before any funds are spent on a web site revamp project. The report was requested due to transparency problems concerning MDE's information technology projects. However, an annual update on information technology project spending was not provided, and funding is included in fiscal 2011 for the Enterprise Environmental Management System (EEMS) information technology project that has fallen far short of expected functionality. **DLS recommends that the fiscal 2011 funds budgeted for improving EEMS be deleted and that the agency comment on why it has not provided the annual update to the budget committees on information technology funding as directed in the 2009 JCR.**

**Recommended Actions**

	<u><b>Funds</b></u>
1. Delete the appropriation for the Coastal Plain Aquifer Study and Fractured Rock Water Supply Study.	\$ 1,000,000
2. Delete grant funding for the Interstate Commission on the Potomac River Basin and Susquehanna River Basin Commission.	557,750
3. Delete funding for three wetland mitigation projects.	600,000
4. Reduce general funds to reflect availability of special funds encumbered for Total Maximum Daily Load development.	1,000,000
5. Adopt committee narrative requesting a report on the Voluntary Cleanup Program.	
6. Adopt committee narrative requesting a report on how the Strategic Energy Investment Fund monies deposited in the Maryland Clean Air Fund are spent.	
7. Reduce operating expenses and recommend a provision in the Budget Reconciliation and Financing Act of 2010 to allow special fund indirect cost recovery and the expansion of special fund use to include administrative expenses.	2,700,000
8. Delete funding to improve the functionality of the Enterprise Environmental Management System software system.	350,000
9. Delete operation and maintenance funding for wastewater treatment plants upgraded to enhanced nutrient removal technology.	1,000,000
<b>Total Reductions</b>	<b>\$ 7,207,750</b>

## **Updates**

***Maryland Department of the Environment Reorganization:*** MDE executed a minor budgetary reorganization at the beginning of fiscal 2010 in order to achieve cost efficiencies. The general scope of the reorganization involved the shift of a number of functions from one unit to another and renaming of the Waste Management Administration as the Land Management Administration.

***Study on Septage Disposal:*** A report on septage disposal was requested in the 2009 *Joint Chairmen's Report* due to the budget committees' concern that septage – sewage pumped or removed from an onsite sewage disposal system, such as a portable toilet, or septic tank – is not being properly disposed of in Maryland. MDE determined that a manifest-type tracking system for septage haulers is unwarranted at this time, but that it should and will develop a new regulatory scheme for septage disposal in calendar 2010.

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**U00A**  
**Department of the Environment**

***Operating Budget Analysis***

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**Program Description**

The Maryland Department of the Environment (MDE) was created in 1987 to protect and restore the quality of the State's land, air, and water resources and safeguard citizens from health risks associated with pollution. It is responsible for planning, monitoring, controlling, and regulating air, solid, and hazardous wastes; radiation, sewage sludge, sediment, and stormwater; toxicities, sewage treatment, and water supply facilities; and environmental disease control programs. The department is structured into seven major administrative units.

- ***Office of the Secretary:*** This office provides direction and establishes State environmental policies to be implemented by the operating units.
- ***Administrative Services Administration:*** This administration provides general administrative and fiscal services to the department.
- ***Water Management Administration:*** This administration incorporates aspects of the State's water pollution control program; implementation of Total Maximum Daily Loads (TMDLs) for pollutants in impaired waterways; and industrial/municipal wastewater and storm water discharge regulatory functions.
- ***Science Services Administration:*** This administration develops and promulgates water quality standards; provides technical support and analysis for TMDLs; monitors shellfish; develops environmental and public health risk assessments; implements nonpoint source pollution programs; and develops and issues fish advisories.
- ***Land Management Administration:*** This administration ensures that all types of hazardous and nonhazardous solid wastes are managed in a manner that protects public health and the environment. Concentrated animal feeding operation permitting and oversight recently was added to its responsibilities.
- ***Air and Radiation Management Administration:*** This administration ensures that air quality and radiation levels in Maryland sustain public health, safety, and the environment. Climate change initiatives are a relatively new component of its operations.
- ***Coordinating Offices:*** These offices manage budget matters, the Water Quality Revolving Loan Fund and other water pollution control program capital project management, and Board of Public Works' (BPW) activities; coordinate public information and outreach; provide hazardous chemical and oil spill emergency response services; and provide legal advice.

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MDE's four goals are consistent with the goals reported in the fiscal 2010 analysis and illustrate the core efforts to protect and preserve Maryland's natural resources. They are:

- ensuring safe and adequate drinking water;
- reducing Maryland citizens' exposure to hazards;
- ensuring the air is safe to breathe; and
- providing customer service and community outreach.

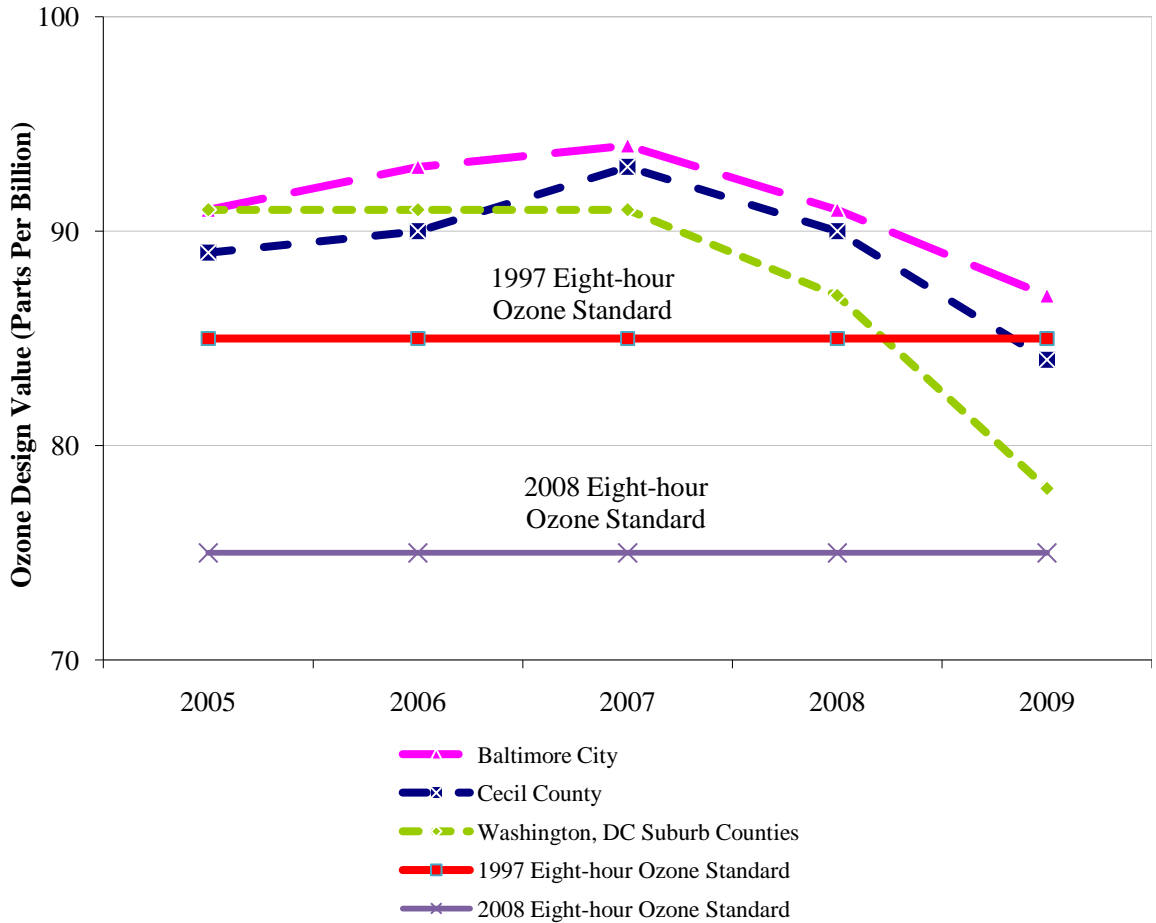
### **Performance Analysis: Managing for Results**

MDE notes that in addition to the Managing for Results (MFR) process, it is using MDEStat, its own version of the StateStat process, for making budgetary decisions. For instance, the MDEStat process has been used to transfer a position to the Radiological Health Program in order to meet program requirements and to move vacant positions out of the Voluntary Cleanup Program because special funds have not been received at the rate needed to support personnel in this program. MDE is also using StateStat to track progress on Chesapeake Bay restoration.

In terms of MDE's fiscal 2011 MFR submission, there is a substantial decrease in the number of measures included. MDE indicates that this is because of the need to streamline the MFR submission. The fiscal 2011 MFR measures reflect improvements in air quality and the development of Total Maximum Daily Loads. Improvement in public water system compliance is seen to fluctuate based on the constant increase in the stringency of standards. A discussion of the MFR data shown in **Exhibit 1** is as follows.

- **Ozone Attainment Status for Nonattainment Areas** – Baltimore City, Cecil County, and the Washington, DC suburban counties are all in moderate nonattainment with the eight-hour ozone standard – the three-year average of the fourth highest daily maximum eight-hour average ozone concentrations measured at each monitor within an area over each year must not exceed 85 parts per billion, which means that they must come into compliance with the standard by June 2010 from a base year of 2004. Through calendar 2009, the Washington, DC suburban counties and Cecil County are in compliance while Baltimore City is just out of compliance. However, the 85 parts per billion goal is the 1997 eight-hour ozone standard, which at some point will be superseded by the more stringent 2008 standard (75 parts per billion) and the 60 to 70 parts per billion standard recently proposed by the U.S. Environmental Protection Agency.

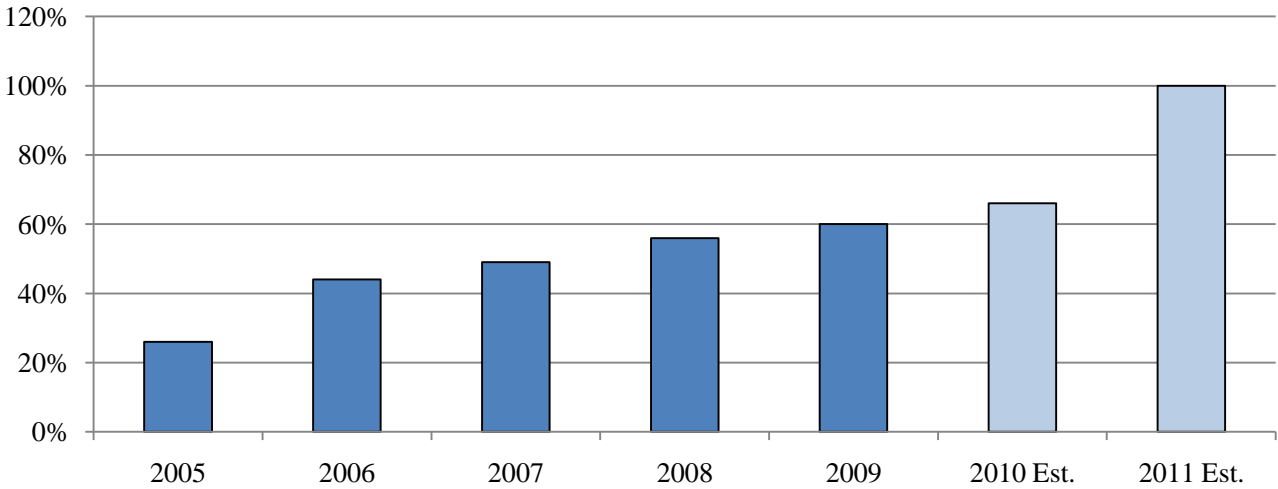
**Exhibit 1**  
**Ozone Attainment Status for Nonattainment Areas**  
**Calendar 2005-2009**



Note: The 1997 standard is 85 parts per billion. The standard is met if the three-year average of the fourth-highest daily maximum eight-hour average ozone concentrations measured at each monitor within an area over each year does not exceed 85 parts per billion.

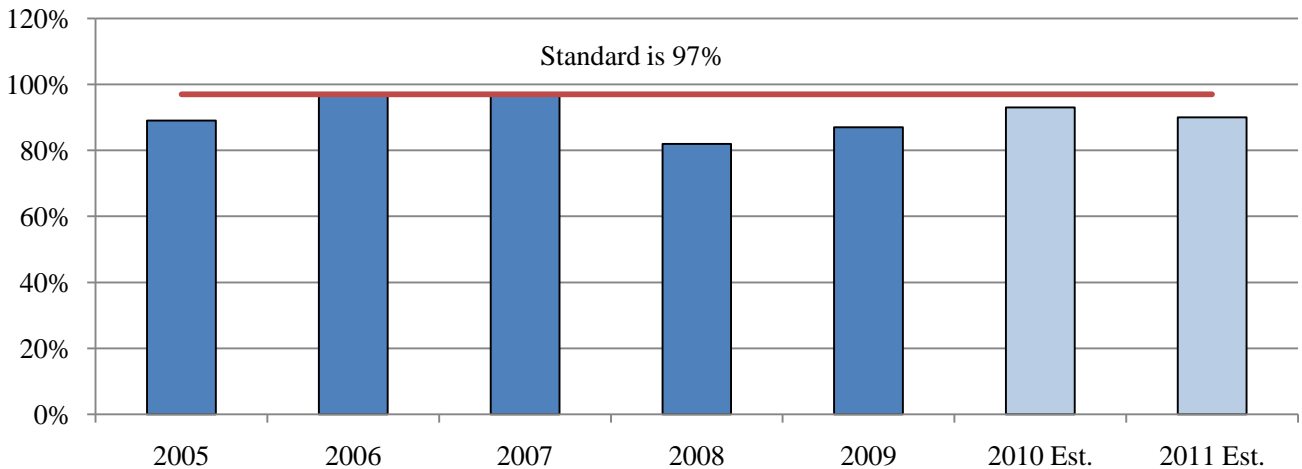
Source: Maryland Department of the Environment

### Total Required Total Maximum Daily Loads Completed Federal Fiscal 2005-2011



Note: Standard = 100%.

### Marylanders Served by Public Water Systems in Significant Compliance with Rules Fiscal 2005-2011



Note: Up to fiscal 2008, the basis for significant compliance with public water systems rules was 97% of the rules adopted in 2002. From fiscal 2008 onward, the basis for significant compliance is 97% of the rules adopted since fiscal 2002. In fiscal 2010, State regulations will be adopted to reflect five new federal regulations: arsenic, radionuclide, stage 2 disinfection byproduct, long-term 2 enhanced surface water treatment, and revised lead and copper.

Source: Governor's Budget Books, Fiscal 2008-2011

- **Percent of Total Required Total Maximum Daily Loads Completed** – The development of TMDL plans for various water quality impairments, such as bacteria, toxic substances, and mercury shows an increasing trend, and it is estimated that Maryland would have completed 73% of the TMDLs in 2011. However, it is anticipated that the U.S. Environmental Protection Agency and Chesapeake Bay partners will complete a number of the TMDLs in fiscal 2011 through the Chesapeake Bay-wide TMDL; therefore, Exhibit 1 reflects 100% completion in fiscal 2011. MDE indicates that additional TMDLs will be required between 2015 and 2021 for 123 impaired waters listings and that it will still need to address the potential revision of TMDL or any new listings, for example, TMDL plans to cover chlorides.
- **Percent of Marylanders Served by Public Water Systems in Significant Compliance** – Due to the changing nature of the underlying standards to which MDE applies a 97% significant compliance goal, it is difficult to see long-term trends in public water system compliance with rules. Instead, there appears to be a trend toward increasing compliance with a standard for a couple of years after the standard is established until a new standard is developed, and the process starts over. For instance, Maryland met the standard for complying with the 2002 rules in fiscal 2006, but then new rules were developed and the compliance dropped to 82% in fiscal 2008. Five new federal regulations will require new State rules in fiscal 2010. However, the overall trend is toward a cleaner public water system in Maryland.

**The Department of Legislative Services recommends that MDE comment on the measures that will need to be taken to meet the proposed 60 to 70 parts per billion eight-hour ozone standard.**

## **Fiscal 2010 Actions**

### **Impact of Cost Containment**

The net impact of the July 22, August 26, and November 18, 2009, BPW actions is a reduction of \$2.5 million in general funds and \$0.7 million in special funds; no positions were abolished. A summary of the reductions follows:

- **Major Reductions** – across-the-board furlough reductions (\$1,448,786) and across-the-board reduction for non-Department of General Services rent (\$200,000);
- **Fund Swaps** – the use of special funds to cover salaries and wages, contracts, and operating expenses (\$1,574,623); and
- **Operating Expenses** – travel and inspector and permit writer forum reductions (\$32,833).

MDE notes that the fiscal 2010 cost containment measures have reduced its special fund balances, which will cause problems in future years.

## **Proposed Fund Balance Transfers and Other Budget Reconciliation and Financing Act Items**

Actions in Section 11 of the Budget Reconciliation and Financing Act (BRFA) of 2010 would transfer fund balances from seven of MDE's special funds to the general fund in fiscal 2010. The total \$6.0 million of proposed transfers is shown in **Exhibit 2**. MDE indicates, however, that a mistake was made in the BRFA of 2010 and that only \$1.0 million should be shown for the Oil Disaster Containment Cleanup and Contingency Fund. The other \$1.2 million should have been transferred from the Oil Reserve Fund.

**Exhibit 2**  
**Proposed Fiscal 2010 Special Fund Balance Transfers**

<u>Fund</u>	<u>Revenue Source</u>	<u>Purpose</u>	<u>Original 2010 Closing Balance</u>	<u>Contingent Transfer</u>	<u>Contingent 2010 Closing Fund Balance</u>
Oil Disaster Containment Cleanup and Contingency Fund	License fee of \$0.04 per barrel for oil transferred in the State; fund balance capped at \$5.0 million	Contain, clean up, and remove discharges of oil and restore damaged natural resources	\$4,842,010	\$2,200,000	2,642,010
Oil Contaminated Site Environmental Cleanup Fund	A portion of the oil transfer fee	Reimburse owners/operators of underground storage tanks for site rehabilitation costs and provide funds for site rehabilitation activities and administrative costs	6,683,408	1,200,000	5,483,408
State Used Tire Cleanup and Recycling Fund	Primarily tire recycling fee of \$0.80 on first sale of a new tire in the State by a tire dealer; fund balance capped at \$10.0 million	Removal, restoration, inspection, and monitoring in response to illegal disposal or storage of scrap tires	4,677,406	1,100,000	3,577,406
Tidal Wetlands Compensation Fund	Monetary compensation paid to the State as a condition of a wetland license or permit, and from penalties	Acquisition and conservation of wetland areas by the State, including cost sharing assistance to landowners for the management and control of phragmites	1,333,296	\$1,000,000	333,296
Maryland Clean Air Fund	Application fees, permit fees, renewal fees, penalties, and Maryland Strategic Energy Investment Fund deposits	Air pollution program activities and grants to local governments	2,044,823	300,000	1,744,823
State Radiation Control Fund	License fees, registration fees, radiation machine certification fees, and penalties	Activities relating to identifying, monitoring, and controlling sources of radiation and for program development	1,077,999	150,000	927,999
<b>Total</b>			<b>\$20,658,942</b>	<b>\$5,950,000</b>	<b>\$14,708,942</b>

Note: MDE has indicated that the \$2.2 million transfer in the Budget Reconciliation and Financing Act of 2010 for the Oil Disaster Containment Cleanup and Contingency Fund actually was meant to be a transfer of \$1.0 million and the remainder transferred from the Oil Reserve Fund. With a \$1.0 million transfer, the Oil Disaster Containment Cleanup and Contingency Fund would have a closing fiscal 2010 contingent balance of \$3,842,010. The Oil Reserve Fund has an original closing balance for fiscal 2010 of \$2,562,815 and would have a contingent balance of \$1,362,815 if the \$1.2 million transfer is executed.

Source: Department of Legislative Services

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In addition to the specific special fund transfers, there also is a provision in Section 28 of the BRFA that would transfer net interest on State money transferred to certain special funds or accounts to the general fund, which would affect MDE fund balances to some degree.

Finally there is a provision in the BRFA that would expand the use of the Oil Disaster Containment, Clean-up and Contingency Fund to be used by MDE for water pollution control programs. MDE notes that this expanded use will provide funding for water-related oil pollution control activities such as wells with oil contamination and wastewater permits.

### **Federal Stimulus Funds**

The fiscal 2010 working appropriation includes American Recovery and Reinvestment Act of 2009 federal stimulus funding in three of MDE's administrations. The funding, a portion of which will be rolled over into fiscal 2011, is as follows:

- **Science Services Administration** – \$960,000 for Total Maximum Daily Load development as part of Chesapeake Bay restoration;
- **Land Management Administration** – \$3,713,000 from the federal Leaking Underground Storage Tank Trust Fund Program for mitigating leaking underground storage tank cleanup costs; and
- **Air and Radiation Management Administration** – \$4,700,000 from the National Clean Diesel Funding Assistance Program for diesel emissions reductions for machines such as buses through the School Bus Grant Program and the Clean Diesel Grant Program.

### **Proposed Budget**

MDE's fiscal 2011 allowance decreases by \$5.6 million, or 3.9%, relative to the fiscal 2010 working appropriation, as shown in **Exhibit 3**. The changes by fund are a decrease of \$2,169,000 in general funds, an increase of \$6,986,000 in special funds, a decrease of \$10,413,000 in federal funds, and an increase of \$9,000 in reimbursable funds.

**Exhibit 3  
Proposed Budget  
Department of the Environment  
(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
2010 Working Appropriation	\$35,500	\$63,158	\$40,695	\$4,147	\$143,500
2011 Allowance	<u>34,094</u>	<u>71,034</u>	<u>30,914</u>	<u>4,231</u>	<u>140,272</u>
Amount Change	-\$1,407	\$7,876	-\$9,781	\$84	-\$3,227
Percent Change	-4.0%	12.5%	-24.0%	2.0%	-2.2%
 Contingent & Back of Bill Reductions	 -\$763	 -\$890	 -\$632	 -\$93	 -\$2,378
Adjusted Change	-\$2,169	\$6,986	-\$10,413	-\$9	-\$5,605
Adjusted Percent Change	-6.1%	11.1%	-25.6%	-0.2%	-3.9%

**Where It Goes:**

**Personnel Expenses**

Retirement contribution .....	\$1,295
Employee and retiree health insurance pay-as-you-go costs reduced by Section 19.....	867
Social Security contribution .....	256
Other fringe benefit adjustments.....	85
Workers' compensation reduced by Section 21 and 23.....	75
Fiscal 2010 adjustments.....	-533
Turnover adjustments .....	-201
Salaries and wages offset by Section 18 furlough reduction for fiscal 2011 .....	-33

**Other Changes**

***Bay Restoration Fund***

Bay Restoration Fund debt service .....	7,896
Operations and maintenance funding for wastewater treatment plants .....	500

***Contracts***

Office of the Secretary Administrative Hearings allocation.....	293
Land Management Administration scrap tire projects and federal stimulus funding .....	-7,277
Air and Radiation Management Administration stimulus funding.....	-4,125
Coordinating Offices web site revamp project and one-time information technology.....	-856
Water Management Administration one-time water capacity evaluation.....	-200

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**Where It Goes:**

***Grants***

Coordinating Offices grant for environmental training, death benefits .....	312
Air and Radiation Management greenhouse gas revenue-funded grants.....	-1,497
Science Services Administration stimulus funding for TMDL development.....	-1,041
Land Management Administration abandoned mine reclamation projects .....	-609

***Operating Expenses***

Equipment for three new ozone and three new nitrogen dioxide monitoring sites.....	426
Motor vehicle purchases decrease .....	-423
Travel decrease .....	-349
Technical and special fees .....	-219
Fuel and utilities decrease.....	-186
Other .....	-61

**Total** **-\$5,605**

TMDL: Total Maximum Daily Load

Note: Numbers may not sum to total due to rounding.

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**Personnel**

Overall personnel spending increases \$1.8 million in MDE’s fiscal 2011 allowance. There are spending increases in employee retirement costs of \$1,295,000, employee and retiree health insurance of \$867,000, Social Security costs of \$256,000, and workers’ compensation of \$75,000 net of Section 21 and Section 23 workers’ compensation across-the-board reductions. Spending increases partially are offset by \$533,000 in fiscal 2010 adjustments that have yet to be made for fiscal 2011; a \$201,000 turnover adjustment that, despite a lower rate, is applied to a higher base due to the furlough not being incorporated into the fiscal 2011 allowance; and an overall net decrease of \$33,000 in salaries due to the fiscal 2011 Section 18 furlough reduction of \$2,043,000, as estimated by the Department of Legislative Services.

**Other Changes**

Overall, the nonpersonnel portion of the fiscal 2011 allowance decreases by \$7,416,000. The areas of change include the Bay Restoration Fund, contracts, grants, and operating expenses. The single largest change in the budget is an increase of \$7,896,000 for Bay Restoration Fund revenue bond debt service payments. In fiscal 2010, MDE plans on issuing \$150 million in revenue bonds that will add to the debt service payments already budgeted for a total of \$19,616,000 in debt service. This is discussed further in the MDE pay-as-you-go (PAYGO) budget analysis. Another Bay Restoration Fund related change is the increase of \$500,000 for operations and maintenance of wastewater treatment plants that have been upgraded to enhanced nutrient removal technology.

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**Contracts**

Overall, contractual services decreases accounted for the single largest category of change in MDE's fiscal 2011 allowance. The major changes reflected in Exhibit 3 are as follows:

- **Office of the Secretary** – increase of \$293,000 due to the statewide allocation by the Department of Budget and Management for Administrative Hearings;
- **Waste Management Administration** – decrease of \$7,277,000 primarily due to one-time federal stimulus funding for underground storage tank cleanups (\$3,698,000) and the completion of a scrap tire cleanup at the Garner/Brandywine site along with other scrap tire activities (\$3,400,000);
- **Air and Radiation** – decrease of \$4,125,000 due to the one-time federal stimulus funding for the School Bus Grant Program and Clean Diesel Grant Program (\$4,700,000) and a decrease in funding for air monitoring sites and equipment (\$247,800), which partially are offset by air quality planning funding that includes the remainder of Strategic Energy Investment Fund (SEIF) related projects that are now being budgeted in contracts instead of in grants (\$785,823);
- **Coordinating Offices** – decrease of \$856,000 due to discontinued information technology services provided under the Environmental Information Exchange Network Grant program (\$586,000) and a decrease in funding needed for phase II relative to phase I for the web site revamp project (\$450,000); and
- **Water Management Administration** – decrease of \$200,000 primarily due to a one-time water capacity management evaluation.

**Grants**

The highlighted changes are as follows:

- **Coordinating Offices** – increase of \$312,000 primarily for environmental training and technical assistance provided by the Maryland Center for Environmental Training at the College of Southern Maryland (\$167,000) and funding for funeral and death benefits for hazardous material response team employees, as required by Chapters 518 and 519 of 2009 (\$135,000);
- **Air and Radiation Management Administration** – decrease of \$1,497,000 reflecting an overall decrease in SEIF revenues, and a shift in the funding that remains from grants to contracts;

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- **Science Services Administration** – decrease of \$1,041,000 largely due to the one-time federal stimulus funding for Total Maximum Daily Load development; and
- **Waste Management Administration** – decrease of \$609,000 with one of the major components being the reduction in anticipated abandoned mine reclamation projects and a reduction of funding for the Garrett County mine drainage treatment systems contract.

### **Operating Expenses**

MDE's fiscal 2011 budget decreases by \$812,000 across a number of operating expense areas. The one increase shown in Exhibit 3 is for equipment to set up three new ozone monitoring sites and three new nitrogen dioxide monitoring sites (\$426,000). The decreases in the operating budget include motor vehicle purchases (\$423,000), travel (\$349,000), technical and special fees for full-time equivalent employees (\$219,000), and fuel and utilities (\$186,000).

### **Impact of Cost Containment**

Cost containment actions in the fiscal 2011 allowance include across-the-board reductions. While \$32,833 in November 18, 2009 BPW actions are not allocated across all of the agency expenditure categories for the fiscal 2010 working appropriation, this does not appear to affect the change between the fiscal 2010 working appropriation and the fiscal 2011 allowance due to the minimal reductions made. The reductions included the elimination of annual dues to various organizations (\$14,500), a decrease for travel (\$9,448), and elimination of inspector and permit writer forums for fiscal 2010 (\$8,885).

The fiscal 2011 budget reflects several across-the-board actions to be allocated by the Administration. This includes a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected actions relating to employee furloughs, health insurance, and the Injured Workers' Insurance Fund cost savings.

### **Federal Stimulus Funds**

Federal stimulus funding in the fiscal 2011 allowance primarily reflects funds rolled over from fiscal 2010 for leaking underground storage tank mitigation (\$1,600,000), diesel emissions reductions (\$200,000), and TMDL development (\$180,000). The one exception is new funding in Coordinating Offices of \$600,000: \$500,000 from Water Quality State Revolving Loan Fund and \$100,000 from Drinking Water State Revolving Loan Fund. The TMDL funding will be used primarily for the development of the Chesapeake Bay Tidal Waters TMDL. A contractor will continue to clean up leaking underground storage tanks. The diesel emissions reductions funding is allocated to the School Bus Grant Program and the Clean Diesel Grant Program.

## ***Issues***

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### **1. Status of MDE’s Special Funds**

Just over 50% of MDE’s fiscal 2011 allowance is special fund appropriation. Given this heavy reliance on special funds, it is not surprising that some of MDE’s more heavily subscribed special funds are rapidly being depleted. For instance, the Maryland Clean Water Fund had a fiscal 2009 opening fund balance of \$6.5 million. Not taking into account the BRFA of 2010 provision to transfer interest and assuming that the proposed fiscal 2011 expenditure levels do not change, the Maryland Clean Water Fund would end fiscal 2011 with an \$88,758 balance. However, there are substantial balances in other special funds, and overall, there appears to be sufficient balance to increase the overhead cost charged to the special funds and thus defray some general fund operating expenses.

**Exhibit 4** shows the closing fund balances for MDE’s special funds between fiscal 2009 and 2011. Twenty-six of MDE’s 38 special funds in the fiscal 2011 allowance are reflected. These 26 funds have fund balances, and thus expenditures do not equal revenue each year.

**Exhibit 4**  
**MDE Special Fund Closing Cash Balances**  
**Fiscal 2009-2011**

<u>Fund</u>	<u>2009 Actual</u>	<u>2010 Working</u>	<u>2011 Allowance</u>
U00317 Oil Contaminated Site Environmental Clean-up Fund	\$5,978,408	\$5,483,408	\$6,008,764
U00308 Used Tire Cleanup and Recycling Fund	8,581,747	3,577,406	3,280,765
U00304 Oil Disaster Containment, Clean-up and Contingency Fund	5,538,307	2,642,010	1,830,722
U00328 Non-tidal Wetlands Compensation Fund	2,878,769	2,602,734	2,301,776
U00336 Oil Reserve Fund	2,537,815	2,562,815	2,562,815
U00302 Maryland Clean Water Fund	4,260,118	2,232,668	88,758
U00301 Maryland Clean Air Fund	1,278,353	1,744,823	1,174,180
U00361 Wetlands and Waterways Program Fund	582,212	1,734,646	1,696,665
U00321 Lead Poisoning Prevention Fund	1,693,421	1,445,393	720,253
U00322 Maryland Recycling Trust Fund	416,291	1,047,112	597,930
U00305 State Radiation Control Fund	1,475,579	927,999	342,821
U00306 Sediment Control Fund	696,055	895,055	545,055
U00347 Acid Mine Drainage Fund	1,393,834	808,117	605,489
U00325 Bituminous Coal Open-pit Mining Reclamation Fund	1,561,713	707,002	32,686
U00303 State Hazardous Substance Control Fund	823,820	589,706	31,017
U00346 Tidal Wetlands Compensation Fund	1,598,296	333,296	198,296
U00343 Drinking Water Loan Fund – Administrative Fees	152,445	331,315	478,536
U00326 Deep Mining Fund	367,140	296,569	183,502
U00320 Lead Accreditation Fund	288,230	258,074	185,889
U00352 Community Right to Know Fund	290,629	219,355	50,865
U00327 Surface Mined Land Reclamation Fund	155,767	181,348	177,609
U00307 Sewage Sludge Utilization Fund	202,161	147,010	189,645
U00331 Leaking Underground Storage Tank Cost Recovery Fund	120,656	120,656	120,656
U00313 Water Quality Financing Administrative Fees	248,114	31,272	69,605
U00349 Small Business Pollution Compliance Loan Fund	17,260	1,260	1,260
U00340 Brownfields Voluntary Clean-up Fund	111,723	0	25,827
<b>Total</b>	<b>\$43,248,863</b>	<b>\$30,921,049</b>	<b>\$23,501,386</b>

MDE: Maryland Department of the Environment

Note: The closing balances account for the fiscal 2010 proposed transfers as part of Section 11 of the Budget Reconciliation and Financing Act (BRFA) of 2010 but do not account for the interest diversion to the general fund as part of Section 28 of the BRFA. In addition, there is no differentiation between cash and encumbered balances even though a portion of some of the balances may already be committed to projects.

Source: Department of Legislative Services

As noted in Exhibit 4, in addition to the complication of the BRFA transfers, a further complication in evaluating MDE's fund balances is the distinction between cash and encumbered balances. Cash balances reflect all the money in the fund regardless if it has been committed in any way. Encumbered balances exclude amounts that are obligated. One fund for which this is a concern is the Oil Contaminated Site Environmental Clean-up Fund, which reimburses owners/operators of underground storage tanks for site rehabilitation costs. This fund may have substantial encumbrances that will not be shown in a cash accounting approach.

Despite the uncertainty surrounding some of the special fund balances, there appears to be enough available fund balance to permit MDE to recover indirect administrative costs at its federally approved rate of 21.49%, an increase of 11.49%. Based on the fiscal 2011 estimated closing balances in Exhibit 4, which account for the proposed BRFA transfers, use of the federal indirect cost recovery rate would generate approximately \$2.7 million in special funds for administrative expenses and thus would allow a \$2.7 million general fund reduction from Coordinating Offices.

**The Department of Legislative Services recommends that a \$2.7 million reduction in general funds be made and that a provision be included in the BRFA of 2010 to allow MDE to expand the use of its balance-carrying special funds to allow it to recover indirect costs from its special funds.**

## **2. Climate Change Programs Underfunded?**

Recent legislation has addressed climate change responsibilities. MDE has taken on these new responsibilities consistent with its mission to protect and restore the quality of Maryland's air, water, and land resources. Yet funding for climate change activities has not always been forthcoming. A case in point are Chapters 171 and 172 of 2009 (Greenhouse Gas Emissions Reduction Act of 2009) which required 5 new positions and approximately \$557,500 in funding (the fiscal note indicated a need for \$537,451), neither of which MDE has received despite an agreement with the Maryland Energy Administration to receive the funding from the Strategic Energy Investment Fund. More information about how MDE is using the money it has received may help show whether the climate change programs are in fact underfunded.

### **Strategic Energy Investment Fund**

The Strategic Energy Investment Fund was created in order to receive the revenues from the sale of carbon dioxide allowances as part of the State's involvement in the 10-state Regional Greenhouse Gas Initiative (RGGI). MDE has been designated a recipient of Maryland's portion of RGGI funding with the expectation that it would fund climate change programs and the necessary administrative work for Maryland's involvement in the quarterly carbon dioxide gas auctions administered by RGGI. However, due to reductions in auction allowance prices, the funding available from the fund has been inadequate to compensate MDE for its work. For instance, the overall fiscal 2010 allocation from SEIF was \$106.3 million and MDE's allocation was \$2.5 million (not including the proposed \$557,500 for the positions). The fiscal 2011

allocation is \$79.1 million, and MDE's allocation has decreased to \$1.8 million without any funding for the additional five positions projected to be needed in fiscal 2011. This can be attributed to the uncertainty surrounding whether RGGI will be superseded by a national climate change trading system set up by the federal government.

### **Greenhouse Gas Emissions Reduction Act of 2009**

Chapters 171 and 172 of 2009 required the State to develop plans, adopt regulations, and implement programs to reduce greenhouse gas emissions by 25% from 2006 levels, by 2020. MDE's responsibilities under the bill are as follows:

- implement various measures designed to ensure that greenhouse gas reductions produce economic benefits for the State and do not adversely affect specified communities or economic interests; and
- publish a greenhouse gas emissions inventory for the year 2006, a "business as usual" projection of greenhouse gas emissions inventory for the year 2020, and a triennial inventory update beginning in 2011.

The first deadline is June 1, 2011, when MDE must publish the 2006 inventory and 2020 business as usual projection. In addition, the federal government is considering a ruling on greenhouse gas emissions, which would likely increase the amount of work MDE is required to do in this policy area. **The Department of Legislative Services recommends that MDE comment on the level of funding and staffing needed for its climate change programs and its progress toward implementing the provisions of Chapters 171 and 172 of 2009 (Greenhouse Gas Emissions Reduction Act of 2009). In addition, MDE should comment on how it is using Strategic Energy Investment Fund monies in fiscal 2010 and 2011. Committee narrative is recommended to request a report on Strategic Energy Investment Fund expenditures for the fiscal 2012 budget submission.**

### **3. Report on Full and Timely Information Technology Project Disclosure**

A report was requested in the 2009 *Joint Chairmen's Report* on how MDE will provide full and timely disclosure on the status of information technology projects before any funds are spent on a web site revamp project. This report was requested because MDE has had transparency and accountability problems with its information technology projects.

The problems began with the Enterprise Environmental Management System (EEMS) – intended to integrate all of the permitting components of MDE's many environmental programs – the costs for which threatened to escalate out of control before the General Assembly capped funding. A new potential problem then resurfaced with a web site revamp project submitted by budget amendment for fiscal 2009.

While the requested report has been submitted, no annual update on fiscal 2011 funding has been provided, and yet there is funding in the budget over-and-above what appears to be necessary for basic EEMS software support.

### ***Joint Chairmen's Report***

The *Joint Chairmen's Report* requirements on full and timely information disclosure and MDE's responses are as follows:

- **Information Technology Project Request Submissions to the Department of Information Technology for Review and Approval** – the report notes that for Major Information Technology Development Projects, MDE will provide the Department of Information Technology (DoIT) the annual Information Technology Master Plan and also will provide annual Information Technology Project Requests for new and ongoing projects per standard operating procedure.
- **Disclosure of the Exact Fund Sources, Amounts, and Program Codes for All Information Technology Projects in Each Annual Budget Submission** – MDE will submit funding requests through the annual budget, budget amendment, and supplemental budget processes to both the Department of Budget and Management (DBM) and DoIT using the new Major Information Technology Development Projects (U00A10.02) budget program in Coordinating Offices as a reference point.
- **Disclosure of Project Summary Reports to the Committees** – MDE will submit project summary reports to DoIT and the budget committees on or around January of each year to reflect current project information before the legislative session begins and whether new funding may be requested.
- **Information Technology Scope, Funding Requirements, and Changes to the Committees for the Web Site Revamp Project and Future Information Technology Projects** – MDE will provide current information as part of the annual budget submission and in annual updates to the budget committees.

### **Fiscal 2011 Allowance**

EEMS has not achieved the integration and cost efficiencies originally anticipated. In terms of functionality, the auditors found that as of April 2007, 18 programs – over half the programs intended to use EEMS – had been removed from the project scope. Therefore, it is of concern that MDE has not notified the budget committees that in the fiscal 2011 allowance, there is \$350,000 in special funds budgeted to improve the functionality of EEMS.

**The Department of Legislative Services recommends that the fiscal 2011 funds budgeted for improving EEMS be deleted and that the agency comment on why it has not provided the annual update to the budget committees on information technology funding as directed in the 2009 *Joint Chairmen's Report*.**

## ***Recommended Actions***

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- |  | <b><u>Amount<br/>Reduction</u></b> |    |
|--|------------------------------------|----|
| 1. Delete the appropriation for the Coastal Plain Aquifer Study and Fractured Rock Water Supply Study. The estimated cost is \$18 million over six years, and so a one-year hiatus would extend the project to seven years. In addition, it is possible that local governments could fund this study.  | \$ 1,000,000                       | GF |
| 2. Delete grant funding for the Interstate Commission on the Potomac River Basin and Susquehanna River Basin Commission. These organizations are more appropriately funded out of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund or other Chesapeake Bay restoration related funding source due to their harmony with that purpose.  | 557,750                            | GF |
| 3. Delete funding for three wetland mitigation projects. The three projects – located at the Central Maryland Correctional Facility, Paul Hanrahan Property, and Russell Train Property – would be delayed for a year, and more Non-tidal Wetlands Compensation Fund special fund balance would be available to defray operating expenses, if the recommendation to increase special fund indirect cost recovery is taken. | 600,000                            | SF |
| 4. Reduce general funds for Total Maximum Daily Load development to reflect approximately \$1,000,000 in prior year funding encumbered for this purpose. The prior year encumbered funding could be used to replace the general fund reduction.  | 1,000,000                          | GF |
| 5. Adopt the following narrative:  |                                    |    |

**Report on Status of Voluntary Cleanup Program:** The Voluntary Cleanup Program is a hybrid environmental remediation and economic development program and has smart growth components because of the focus on the remediation of blighted properties in urban areas. However, there is insufficient information available concerning the status of the program because Managing for Results measures are not included in the fiscal 2011 budget submission. In addition, applications have dropped between fiscal 2007 (72), fiscal 2008 (59), fiscal 2009 (31), and fiscal 2011 projected (30). Finally, the Voluntary Cleanup Fund

balance is projected to be reduced to zero at the end of fiscal 2010, although additional revenue is anticipated in fiscal 2011. Therefore, the Maryland Department of the Environment (MDE) is requested to submit a report on the number of applications the program has received for each year since fiscal 2001; the geographic location of applications; the number of acres and properties in the program completed and a No Further Requirements Determination or a Certificate of Completion issued and where they are located; the cumulative number of properties remediated/completed since the beginning of the program; the number of jobs created each year as a result of the program; the amount of capital investment in program sites that have been cleaned up; and the increase in the tax base from job creation or capital investment resulting from cleanup of program sites. In addition, MDE is requested to comment in the report on why applications have decreased and whether the program should be improved, and how, or whether it should be ended.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on status of Voluntary Cleanup Program	MDE	September 1, 2010

6. Adopt the following narrative:

**Report on Strategic Energy Investment Fund Expenditures:** The Maryland Department of the Environment (MDE) receives funding from the Strategic Energy Investment Fund that is deposited into the Maryland Clean Air Fund. The budget committees are concerned that the revenues from the Strategic Energy Investment Fund – the sale of carbon dioxide allowances – is subject to uncertainty and year-to-year variability despite the need for MDE to recoup the costs of managing Maryland’s role in the quarterly carbon dioxide allowance auctions and the expenses associated with implementing Chapters 171 and 172 of 2009. In addition, the committees are concerned that it is not clear how the revenues received from the Strategic Energy Investment Fund are being used. Therefore, the committees request a report on how MDE is using the revenues from the Strategic Energy Investment Fund to further climate change work, in general, and to meet the requirements of Chapters 171 and 172. The report is requested to cover the fiscal 2010 actual, fiscal 2011 working, and fiscal 2012 allowance funding period.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on Strategic Energy Investment Fund expenditures	MDE	Fiscal 2012 budget submission and annually thereafter

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	<b><u>Amount Reduction</u></b>	
7. Reduce general funds for administrative expenses in conjunction with a provision in the Budget Reconciliation and Financing Act of 2010 to allow special fund indirect cost recovery in line with the federally approved indirect cost recovery rate of 21.49% and to expand the use of all special funds to include administrative expenses.	2,700,000	GF
8. Delete funding to improve the functionality of the Enterprise Environmental Management System software system. The agency was requested to provide updates on the status of information technology projects given concerns about how information technology projects were funded in the past. The fiscal 2011 allowance funding reflects a \$120,000 increase from the fiscal 2010 working appropriation level with no such notification.	350,000	SF
9. Delete operation and maintenance funding for wastewater treatment plants upgraded to enhanced nutrient removal technology. The agency is required to use up to 10% of the annual fee revenue from wastewater treatment plant users for this purpose. However, the draft January 2010 Bay Restoration Fund Advisory Committee report notes that one option to reduce the funding gap for upgrading the State's 67 major wastewater treatment plants to enhanced nutrient removal technology would be to discontinue the annual operation and maintenance grants. This action executes that option for fiscal 2011 and reduces operation and maintenance funding for approximately 14 wastewater treatment plants.	1,000,000	SF
<b>Total Reductions</b>	<b>\$ 7,207,750</b>	
<b>Total General Fund Reductions</b>	<b>\$ 5,257,750</b>	
<b>Total Special Fund Reductions</b>	<b>\$ 1,950,000</b>	

## ***Updates***

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### **1. Maryland Department of the Environment Reorganization**

MDE executed a minor budgetary reorganization at the beginning of fiscal 2010 in order to achieve cost efficiencies. The general scope of the reorganization involved the shift of a number of functions from one unit to another as shown in **Exhibit 5**. In addition, the Waste Management Administration was renamed the Land Management Administration to reflect its focus on source reduction, remediation and restoration, and greenhouse gas reduction; Permitting and Customer Service Center personnel were moved to higher priority functions; and the new coal combustion byproducts permitting program was located within the Land Management Administration.

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**Exhibit 5**  
**Maryland Department of the Environment Reorganization**  
**Fiscal 2010**

**Transferred**

<b><u>Function</u></b>	<b><u>From Unit</u></b>	<b><u>To Unit</u></b>
Concentrated Animal Feeding Operations Program	Water Management Administration; Coordinating Offices	Land Management Administration
Mining Program	Water Management Administration	Land Management Administration
Public Information Act activities	Science Services Administration	Coordinating Offices
Capital project engineering and oversight, and grant funding	Water Management Administration	Coordinating Offices
Geographic Information Systems	Science Services Administration	Office of Information Management and Technology
Data management activities	Coordinating Offices	Office of the Secretary; Office of Information Management and Technology

Source: Department of Legislative Services

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## 2. Study on Septage Disposal

A report on septage disposal was requested in the 2009 *Joint Chairmen’s Report* due to the budget committees’ concern that septage – sewage pumped or removed from an onsite sewage disposal system, such as a portable toilet, or septic tank – is not being properly disposed of in Maryland. MDE found no significant problems but did note inconsistencies between how local jurisdictions handle tracking, disposal requirements at wastewater treatment plants, and fees. In addition, MDE identified the need to identify septage under its own regulatory subject because septage (raw sewage) currently is being handled under the regulation for sewage sludge (a by-product of treated wastewater). **Exhibit 6** shows the fees charged for 10 counties that responded to a septage survey.

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### Exhibit 6 County Septage Survey Data

<u>County</u>	<u>Inspection Fees</u>	<u>Complaints/Issues</u>
Allegany	\$25	None
Carroll	No fee	2 complaints in the last 5 years
Charles	70	None
Dorchester	75	None
Garrett	60	None recently
Harford	50	None
Montgomery	231	No response
Prince George’s	150	County responds to occasional complaints
Talbot	200	Rarely
Wicomico	\$100 first truck, \$50 each additional truck	Working with Environmental Crimes Unit to prosecute illegal septage dumping

Source: Maryland Department of the Environment

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In conclusion, MDE determined that a manifest-type tracking system for septage haulers is unwarranted at this time, but that it should and will develop new regulations in calendar 2010. These regulations will be developed for the handling and proper disposal of septage across the State with the allowance for local governments to operate their own programs as long as the programs meet minimum State regulatory requirements.

## *Current and Prior Year Budgets*

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### **Current and Prior Year Budgets Maryland Department of the Environment (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2009</b>					
Legislative Appropriation	\$40,033	\$48,541	\$31,297	\$5,049	\$124,920
Deficiency Appropriation	0	6,221	714	0	6,935
Budget Amendments	1,240	3,227	858	30	5,356
Cost Containment	-4,767	-466	-111	0	-5,344
Reversions and Cancellations	-9	-9,556	-3,370	-229	-13,164
<b>Actual Expenditures</b>	<b>\$36,497</b>	<b>\$47,968</b>	<b>\$29,387</b>	<b>\$4,851</b>	<b>\$118,703</b>
<b>Fiscal 2010</b>					
Legislative Appropriation	\$38,022	\$59,620	\$39,720	\$4,147	\$141,509
Cost Containment	-2,521	-735	0	0	-3,256
Budget Amendments	0	4,273	975	0	5,247
<b>Working Appropriation</b>	<b>\$35,500</b>	<b>\$63,158</b>	<b>\$40,695</b>	<b>\$4,147</b>	<b>\$143,500</b>

Note: Numbers may not sum to total due to rounding.

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## **Fiscal 2009**

The general fund appropriation decreases by a net of \$3.5 million. The changes are as follows:

- budget amendments – an increase of \$1.2 million for allocation of the Annual Salary Review and other salary adjustments for the scientist and engineer series (\$0.7 million) and allocation of the cost-of-living adjustment (COLA) general fund appropriation as authorized in the fiscal 2009 budget bill (\$0.5 million);
- cost containment – a decrease of \$4.8 million:
  - June 25, 2008 Board of Public Works – salaries, wages, and fringe benefits reductions (\$0.2 million);
  - October 15, 2008 BPW – reductions of general funds supplanted by special funds including deferred vehicle replacement and cancellation of funding for a web site revamp project, out-of-state travel and training, and elimination of 20 positions (\$2.5 million); fringe benefit appropriations being reduced as Other Post Employment Benefit (OPEB) prefunding was ceased (\$0.5 million) and use of statewide employee health insurance balances in lieu of budgeted funds (\$0.2 million);
  - March 4, 2009 BPW – reductions include funding for Total Maximum Daily Loads replaced with special funds (\$650,000), for furlough reductions (\$393,214), reduction due to salary savings from delaying when vacant general fund positions are filled (\$278,000), and for the 8 positions as part of the Section 18 reductions proposed in the fiscal 2010 allowance (\$123,226); and
- reversions – a decrease of \$9,070 due to targeted reversions.

The special fund appropriation decreases by a net of \$0.6 million. The changes are as follows:

- deficiency appropriation – an increase of \$6.2 million for funding the 25 positions created at the June 25, 2008 Board of Public Works meeting (\$2.4 million); to replace general funds for salaries, wages, and fringe benefits reduced as part of the October 15, 2008 Board of Public Works meeting (\$1.1 million); to support the Performance Partnership Grant agreement with the U.S. Environmental Protection Agency (\$1.0 million); to fund Total Maximum Daily Load contracts for predicting water quality (\$0.7 million); to enhance the functionality of the Tools for Environmental Management and Protection Organizations information technology project to provide additional usability (\$0.4 million); to fund the 21 positions and related operating costs in the Water Management Administration approved at the January 7, 2009 Board of Public Works meeting (\$0.4 million); and to replace general funds for Total

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Maximum Daily Load contracts reduced as part of the October 15, 2008 Board of Public Works meeting (\$0.2 million);

- budget amendments – an increase of \$3.2 million for climate change related contractual services, grant agreements, funding for four positions, and travel from the Strategic Energy Investment Fund (\$1.0 million); for bringing in special funds to conduct a web site revamp project (\$1.0 million); for supporting homeland security, emergency response, and communication capabilities (\$0.5 million); for allocation of the Annual Salary Review and other salary adjustments for the scientist and engineer series (\$0.4 million); and for allocation of the COLA general fund appropriation as authorized in the fiscal 2009 budget bill (\$0.3 million);
- cost containment – a decrease of \$0.5 million:
  - June 25, 2008 BPW – reduction relating to salaries, wages, and fringe benefits (\$124,038);
  - March 4, 2009 BPW – furlough reductions (\$341,523); and
- cancellations – a decrease of \$9.6 million primarily due to lower than expected revenue/expenditures in Bay Restoration Fund Debt Service (\$5.4 million), Waste Management Administration (\$2.4 million), Air and Radiation Management Administration (\$0.9 million), and Coordinating Offices (\$0.5 million).

The federal fund appropriation decreases by a net of \$1.9 million. The changes are as follows:

- deficiency appropriation – an increase of \$0.7 million from the U.S. Environmental Protection Agency’s Performance Partnership Grant;
- budget amendments – an increase of \$0.9 million for the fourth and final release of the Tools for Environmental Management and Protection Organizations contract which is part of the Enterprise Environmental Management System that MDE has contracted to provide an overarching management structure for its permitting and enforcement databases;
- cost containment – a decrease of \$0.1 million for cost containment actions relating to salaries, wages, and fringe benefits as part of the BPW actions taken on June 25, 2008; and
- cancellations – a decrease of \$3.4 million primarily due to lower revenue/expenditures in Science Services Administration (\$1.6 million), Waste Management Administration (\$0.9 million), and Coordinating Offices (\$0.8 million).

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The reimbursable fund appropriation decreases by a net of \$0.2 million. The changes are as follows:

- budget amendments – an increase of \$30,315 transferred from the Judiciary’s Mediation and Conflict Resolution Office to Maryland Department of Environment's Coordinating Offices to enable MDE to offer alternative dispute resolution to help resolve appropriate environmental conflicts in Maryland; and
- cancellations – a decrease of \$0.2 million primarily due to lower revenue/expenditures in Science Services Administration (\$0.1 million) and Water Management Administration (\$50,400).

### **Fiscal 2010**

MDE’s general fund appropriation decreased by a net of \$2.5 million. The change is due to cost containment actions as follows:

- July 22, 2009 BPW – a decrease of \$0.8 million due to the funding of contracts with special funds in Science Services Administration (\$350,000); across-the-board reductions for non-Department of General Services rent (\$200,000); shift from general to special funds for 3 Permit Application Assistance positions in Coordinating Offices (\$102,411); shift to special funds to fund Recycling Program operating expenses in Waste Management Administration (\$65,366); and reduction to reflect the funding of a position with non-general funds (\$56,846);
- August 26, 2009 BPW – a decrease of \$1.7 million for replacing general funds with special funds for salaries and fringe benefits in Water Management Administration (\$750,000); across-the-board furlough reductions (\$728,520); and replacing general funds with special funds for Total Maximum Daily Load development in Science Services Administration (\$250,000); and
- November 18, 2009 BPW meeting – a decrease of \$18,333 for across-the-board reductions for travel (\$9,448) and elimination of inspector and permit writer forums for fiscal 2010 (\$8,885).

MDE’s special fund appropriation increased by a net of \$3.5 million. The changes are as follows:

- cost containment – a decrease of \$0.7 as part of the across-the-board reductions furlough reductions for the August 26, 2009 Board of Public Works meeting (\$720,266) and the elimination of annual dues to various organizations as part of the November 18, 2009 BPW meeting actions (\$14,500); and

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- budget amendments – an increase of \$4.3 million for increasing the Land Management Administration appropriation to reflect the Budget Reconciliation and Financing Act of 2009 language allowing for up to 50% of Used Tire Clean-up and Recycling Fund revenue to be used for operations (\$1,800,000); for 21 positions handling coal combustion by-products and individual discharge permits for construction created by June 17, 2009 BPW actions (\$1,042,684); for special fund replacement of general funds for salaries and fringe benefits and TMDL development reduced by August 26, 2009 BPW actions (\$1,000,000); for special fund replacement of general funds for salaries and fringe benefits by July 22, 2009 BPW actions (\$159,846); for a contract with Constellation Energy for nuclear energy response planning (\$150,000); and for communication technology improvements (\$120,000).

MDE's federal fund appropriation increased by \$1.0 million. The change is due to a budget amendment that increased the appropriation for information technology services provided under the Environmental Information Exchange Network Grant program (\$519,861); and for public water system operator training program classes, certification and testing, and training materials distribution (\$455,000).

MDE's reimbursable fund appropriation has not changed.

## Major Information Technology Projects

### Maryland Department of the Environment Web Site Revamp – Phase #2

<b>Project Description:</b>	The Web Site Revamp project as a whole is intended to implement a new Content Management System because the original system is no longer supported (Phase 1) and to expand web site functionality to include online payments, permit tracking, and to automate the processes involved with Public Information Act requests, permits, notifications, and customer service processes (Phase II).		
<b>Project Business Goals:</b>	Phase I consisted of replacing the current Content Management System, which is undocumented and unsupported and thus could jeopardize continuity of operations should it fail. Phase II consists of increasing efficiency and transparency.		
<b>Estimated Total Project Cost:</b>	Phase I is estimated to cost \$2,200,000 and Phase II is estimated to cost \$1,150,000 for a total of \$3,350,000.	<b>New/Ongoing Project:</b>	This is the second phase of a project that started in January 2009.
<b>Project Start Date:</b>	Phase I began on July 1, 2008 (web revamp feasibility study), and Phase II is scheduled to start on February 4, 2010, with the development of the task order request for proposals.	<b>Projected Completion Date:</b>	Phase II ePermit and eCommerce is scheduled to start December 31, 2011.
<b>Schedule Status:</b>	Project initiation (task 1) of Phase I was completed in September 2009. The remaining tasks are scheduled as follows: web and information architecture design (task 2) – February 2010, content management system implementation (task 3) – August 2010, and web governance policy (task 4) – March 2010. The project is scheduled to go live August 2010 and to have a warranty period between August and November 2010. Phase II is on hold until funding approval allows for the awarding of a Consulting and Technical Services contract for a vendor to implement online multi-media permit application (ePermits) and online payment (eCommerce) services.		
<b>Cost Status:</b>	Phase I consisted of fiscal 2009 funding of \$1.0 million and fiscal 2010 funding of \$1.2 million. Similar to the fiscal 2009 and 2010 funding, the fiscal 2011 funding will use the following special funds: Oil Disaster Containment, Clean-up and Contingency Fund (\$175,000), Maryland Clean Air Fund (\$160,000), Maryland Clean Water Fund (\$150,000), Water Quality Financing Administrative Fees (\$75,000), Used Tire Cleanup and Recycling Fund (\$75,000), Lead Poisoning Prevention Fund (\$75,000), and State Radiation Control Fund (\$40,000). There is a slight increase in the cost estimate for Phase II from \$1,078,540 as projected in fiscal 2009 to the current projection of \$1,150,000.		

<b>Scope Status:</b>	Phase II of the project has not begun yet.							
<b>Project Management Oversight Status:</b>	The Department of Information Technology has approved the information technology request.							
<b>Identifiable Risks:</b>	Security and privacy will need to be ensured for online fee payments, online permit applications, and ePermits.							
<b>Additional Comments:</b>	The Information Technology Project Report indicates that an additional position is to be provided to the Office of Informational Management and Technology. MDE has a project manager on contract, as opposed to as a contractual employee, per the requirement of the Department of Information Technology to have a dedicated project manager. This requirement has increased costs.							
<b>Fiscal Year Funding (000)</b>	<b>Prior Years</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>Balance to Complete</b>	<b>Total</b>
Personnel Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Professional and Outside Services	0	750	400	0	0	0	0	1,150
Other Expenditures	0	0	0	0	0	0	0	0
<b>Total Funding</b>	<b>\$0</b>	<b>\$750</b>	<b>\$400</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,150</b>

**Object/Fund Difference Report  
Department of the Environment**

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	979.00	970.00	970.00	0	0%
02 Contractual	21.20	44.50	45.50	1.00	2.2%
<b>Total Positions</b>	<b>1000.20</b>	<b>1014.50</b>	<b>1015.50</b>	<b>1.00</b>	<b>0.1%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 71,880,200	\$ 73,489,363	\$ 77,710,743	\$ 4,221,380	5.7%
02 Technical and Spec. Fees	1,030,385	1,649,457	1,430,159	-219,298	-13.3%
03 Communication	732,826	788,507	736,717	-51,790	-6.6%
04 Travel	344,242	515,579	166,947	-348,632	-67.6%
06 Fuel and Utilities	592,866	716,658	530,853	-185,805	-25.9%
07 Motor Vehicles	1,565,685	1,711,682	1,288,473	-423,209	-24.7%
08 Contractual Services	8,277,053	23,938,144	11,940,460	-11,997,684	-50.1%
09 Supplies and Materials	1,410,635	1,653,091	1,596,821	-56,270	-3.4%
10 Equipment – Replacement	1,730,102	1,035,485	1,006,341	-29,144	-2.8%
11 Equipment – Additional	418,941	194,233	512,767	318,534	164.0%
12 Grants, Subsidies, and Contributions	21,930,516	22,141,870	19,584,283	-2,557,587	-11.6%
13 Fixed Charges	4,134,636	3,945,616	4,151,766	206,150	5.2%
14 Land and Structures	4,654,693	11,720,000	19,616,000	7,896,000	67.4%
<b>Total Objects</b>	<b>\$ 118,702,780</b>	<b>\$ 143,499,685</b>	<b>\$ 140,272,330</b>	<b>-\$ 3,227,355</b>	<b>-2.2%</b>
<b>Funds</b>					
01 General Fund	\$ 36,496,546	\$ 35,500,059	\$ 34,093,519	-\$ 1,406,540	-4.0%
03 Special Fund	47,967,895	63,157,777	71,033,761	7,875,984	12.5%
05 Federal Fund	29,387,254	40,695,138	30,913,868	-9,781,270	-24.0%
09 Reimbursable Fund	4,851,085	4,146,711	4,231,182	84,471	2.0%
<b>Total Funds</b>	<b>\$ 118,702,780</b>	<b>\$ 143,499,685</b>	<b>\$ 140,272,330</b>	<b>-\$ 3,227,355</b>	<b>-2.2%</b>

Note: The fiscal 2010 appropriation does not include deficiencies.

**Fiscal Summary  
Department of the Environment**

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Wrk Approp</u>	<u>FY11 Allowance</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
01 Office of the Secretary	\$ 1,960,935	\$ 1,897,157	\$ 2,321,909	\$ 424,752	22.4%
02 Administrative and Employee Services Admin.	8,159,517	7,469,683	7,834,228	364,545	4.9%
04 Water Management Administration	27,685,850	28,322,789	28,607,789	285,000	1.0%
05 Technical and Regulatory Services Administration	11,899,596	14,419,837	13,567,368	-852,469	-5.9%
06 Waste Management Administration	31,330,287	39,150,757	31,941,985	-7,208,772	-18.4%
07 Air and Radiation Management Administration	16,894,626	24,457,569	19,932,632	-4,524,937	-18.5%
10 Coordinating Offices	20,771,969	27,781,893	36,066,419	8,284,526	29.8%
<b>Total Expenditures</b>	<b>\$ 118,702,780</b>	<b>\$ 143,499,685</b>	<b>\$ 140,272,330</b>	<b>-\$ 3,227,355</b>	<b>-2.2%</b>
General Fund	\$ 36,496,546	\$ 35,500,059	\$ 34,093,519	-\$ 1,406,540	-4.0%
Special Fund	47,967,895	63,157,777	71,033,761	7,875,984	12.5%
Federal Fund	29,387,254	40,695,138	30,913,868	-9,781,270	-24.0%
<b>Total Appropriations</b>	<b>\$ 113,851,695</b>	<b>\$ 139,352,974</b>	<b>\$ 136,041,148</b>	<b>-\$ 3,311,826</b>	<b>-2.4%</b>
Reimbursable Fund	\$ 4,851,085	\$ 4,146,711	\$ 4,231,182	\$ 84,471	2.0%
<b>Total Funds</b>	<b>\$ 118,702,780</b>	<b>\$ 143,499,685</b>	<b>\$ 140,272,330</b>	<b>-\$ 3,227,355</b>	<b>-2.2%</b>

Note: The fiscal 2010 appropriation does not include deficiencies.