

# THE WEEKLY WHIP

TUESDAY, FEBRUARY 27, 2007

## CHESAPEAKE BAY GREEN FUND (HB 1220)

Seven years ago, Maryland signed the Chesapeake 2000 Agreement, a commitment to reduce 20 million pounds of nitrogen pollution per year from entering the state's waterways by 2010.

The legislature has taken critical steps to reduce nutrient pollution, passing the Chesapeake Bay Restoration Fund in 2004, and the Agricultural Stewardship Act and Healthy Air Act in 2006.

These steps are moving Maryland in the right direction, but, at its current pace, the state will not reach the nutrient reduction goals established in the Chesapeake 2000 Agreement.

Recognizing Bay restoration efforts often face funding challenges, the Chesapeake Bay Green Fund (HB 1220) would create a dedicated funding source for Bay clean up – setting Maryland on track to meet its nutrient reduction goals and promoting Smart Growth.

The bill would generate an estimated \$130 million per year by imposing a fee on impervious surfaces created by development projects. All new impervious surfaces would be subject to the fee, with the exception of small additions on homes and certain agricultural structures.

The legislation proposes assessing \$2.00 per square foot on construction outside of Priority Funding Areas, and \$0.25 per square foot on construction inside Priority Funding Area, creating an incentive for development to occur inside locally-designated growth areas.

The Fund would support existing projects to protect the Bay from storm water runoff, to help local governments address planning needs, to conduct agricultural research, to promote agricultural best management practices, and to create incentives to develop workforce housing inside the Priority Funding Areas.

The Chesapeake Bay Green Fund recognizes the link between over-development and the Bay's health – and will help the state move closer to fulfilling its Chesapeake 2000 pledge to reduce nitrogen and nutrient pollution into the Bay.

## STATE RETAINS AAA BOND RATING

All three bond rating agencies – Standard & Poor's, Fitch Ratings, and Moody's Investors Service – issued a AAA bond rating to \$325 million State of Maryland general obligation (GO) bonds scheduled for sale on February 28. This rating, the highest possible, is a reflection of the State's strong financial management policies, an improving economy, and an above average debt burden. Maryland is one of only six states with a AAA bond rating.

Moody's notes: "The outlook for Maryland's general obligation bonds is stable. The state faces ongoing budget pressures that will continue to test the state's considerable financial management abilities, especially should a trend of revenue weakening continue. Past budget forecasts have shown sizeable out-year deficits which the state was able to manage. Moody's outlook reflects an expectation that the state will again manage these gaps and return soon to a trend of conservative budgeting that restores structural balance."

## BGE UPDATE

Last summer's special session on utility rates created an eleven-month rate mitigation plan for consumers in the BGE service territory, and directed the PSC to require BGE to provide additional time for consumers to opt in to a rate mitigation plan after the original plan expires.

The bill also ordered the Public Service Commission to conduct an evidentiary hearing to evaluate electric restructuring and to study issues pertaining to long and short term contracts, transmission, efficiency measures, and opt-out aggregation. After the hearing, the PSC issued a report that failed to include recommendations on how the state should move forward.

The administration has used vacancies to reinvigorate the PSC – returning a balanced perspective to the Commission. The Governor appointed former Insurance Commissioner Steve Larsen as Chairman, and re-appointed former member Suzanne Brogan.

The new PSC will review BGE's proposal for opt-in rate mitigation and make recommendations to the legislature on long-term options to stabilize rates for Maryland consumers.

## State faces 'environmental train wreck'

By LIAM FARRELL, Staff Writer

With a looming budget crisis and staff shortages, Gov. Martin O'Malley's administration faces a possible "environmental train wreck" in protecting the state's natural resources, according to a transition report released this morning.

Unless corrected, state environmental agencies could be forced to lay off workers, close parks and confront the threat of lawsuits for failure to meet federally required cleanup goals.

"Maryland's environmental and natural resource agencies have committed personnel and strong traditions of effective service, but are currently weakened by structural fiscal deficiencies and difficulties in maintaining an experienced professional workforce," the executive summary of the Transition and Work Group Report on Environment and Natural Resources says.

Although the report is aggressive in its environmental priorities - including focusing on the shoreline impacts of global warming and accelerating the restoration of the Chesapeake Bay - logistical problems could derail those goals.

"Federal and state legislatively-mandated workload increases, substantial staff cuts, and unsustainable withdrawals from special fund reserve balances are leading to an environmental train wreck," the report said.

"Without serious corrective actions, lawsuits due to a lack of required enforcement, inability to meet federal mandates for clean air and water, further reduced progress towards Bay 2010 restoration goals, park closures, and additional staff layoffs are likely."

The report, developed by more than 150 Marylanders, contains 57 specific recommendations and is part of the larger transition report conducted for Mr. O'Malley and Lt. Gov. Anthony Brown.

The most immediate problem for the Department of Natural Resources is financial shortfalls, according to the report. The department has to have more flexibility in using special fund revenues, such as fees and licenses, and general fund revenues.

"Without additional general fund support and increased special funds through higher permit and license fees, the administration will be faced with difficult repercussions, such as fewer on-site inspections, more time-consuming permit processes, and park closures," the report says.

The executive summary also indicates that the department should conduct an audit of salary structures to make sure "highly skilled individuals" can be recruited and retained.

Despite the report's grim picture, John Griffin, secretary designate of the DNR, said the estimated \$5 million structural deficit will be handled by re-establishing priorities and reallocating staff members.

"I tend to be an optimist," Mr. Griffin said. "These sort of short-term budget shortfalls are manageable."

Manpower is also highlighted as a crisis. Since fiscal year 2002, the Maryland Department of the Environment and the DNR have had workforce reductions of 11 and 16 percent, respectively.

In five years, 20 percent of MDE employees will be up for retirement, and the DNR could lose a third of its personnel.

Attracting new employees, however, is just as problematic as keeping them, the report said. The MDE and the DNR have 73 and 150 vacant positions, respectively.

"There is a perfect storm looming for the human resources at both DNR and MDE, where staff reductions, unfilled positions, a lack of competitive wages, and a rapidly retiring workforce forecasts severely inadequate staffing levels and a huge loss of institutional knowledge in the very near future," the report said.

The DNR will focus on recharging its workforce by "(looking) with fresh eyes at rebuilding our resource base," Mr. Griffin said.

The report is a good starting place in fixing these problems and Mr. O'Malley is supportive of "the need to rebuild," he said.

Department heads will have 45 days to review the transition report and then report back to Mr. O'Malley, a spokesman for the governor said.

"This isn't going to happen overnight," Mr. Griffin said.