

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 813

(Senator A. Washington)

Education, Energy, and the Environment and
 Budget and Taxation

Environment and Transportation and
 Appropriations

Comprehensive Flood Management Grant Program - Environmental Justice
 Funding

This bill authorizes annual funding of \$20.0 million – beginning in fiscal 2025 – for the comprehensive flood management grant program and requires that a specified percentage of funding under the program benefit underserved or overburdened communities. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: No effect in FY 2024 (as discussed below). Pay-as-you-go (PAYGO) general fund and/or general obligation (GO) bond expenditures may increase by at least \$10.0 million in FY 2025 and future years. General fund expenditures may increase by \$269,600 in FY 2025 and by ongoing amounts in future years. Revenues are not affected.

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	0.3	0.3	0.3	0.3
Bond/PAYGO Exp.	0	10.0	10.0	10.0	10.0
Net Effect	\$0.0	(\$10.3)	(\$10.3)	(\$10.3)	(\$10.3)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local government revenues and expenditures may increase beginning in FY 2025, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: For fiscal 2025 and each fiscal year thereafter, the bill authorizes the Governor to include in the annual State budget an appropriation for the comprehensive flood management grant program of \$20.0 million. The bill also requires that, in each fiscal year, at least 40% of funding provided under the program be used for projects located in or directly benefiting underserved or overburdened communities.

“Underserved community” and “overburdened community” have the meanings stated under existing provisions of the Environment Article of the Maryland Code that establish and govern the Commission on Environmental Justice and Sustainable Communities. “Underserved community” means any census tract in which, according to the most recent U.S. Census Bureau Survey (1) at least 25% of the residents qualify as low-income; (2) at least 50% of the residents identify as nonwhite; or (3) at least 15% of the residents have limited English proficiency. “Overburdened community” means any census tract for which three or more of specified environmental health indicators are above the seventy-fifth percentile statewide.

Current Law:

Comprehensive Flood Management Grant Program

There is a comprehensive flood management grant program within the Maryland Department of the Environment (MDE). Subject to specified criteria, MDE may provide grants to local governments under the program for:

- flood control and watershed management capital projects and capital costs of automated flood warning projects;
- acquisition of any flood damaged owner-occupied dwelling, immediately after a flood; and
- infrastructure repairs, watershed management, or emergency protection work if the local government has incurred at least \$1.0 million in infrastructure damage caused by a flood event that occurred on or after January 1, 2009.

Statute required – for fiscal 2021 through 2023 – that the Governor include in the annual State budget an appropriation for the program of at least \$3.0 million in fiscal 2021 and 2022 and at least \$2.0 million in fiscal 2023.

State Expenditures:

Authorized Funding

PAYGO general fund and/or GO bond expenditures increase by at least \$10.0 million annually beginning in fiscal 2025, to the extent funding is appropriated for the comprehensive flood management grant program consistent with the bill’s authorization. This estimate reflects the fact that the Governor’s fiscal 2024-2028 *Capital Improvement Program* (CIP) includes \$10.0 million in GO bond funding for the program in each of fiscal 2025 through 2028. If that amount is included in the capital budget for those fiscal years, an additional \$10.0 million of funding for the program is needed in each year to reach the \$20.0 million authorized funding amount in the bill. To the extent that less than \$10.0 million is provided for the program in any of those fiscal years in the absence of the bill, the increase in PAYGO general fund and/or GO bond expenditures as a result of the bill is higher than \$10.0 million.

The fiscal 2024 capital budget as introduced includes \$6.2 million in GO bond expenditures for the program. This analysis assumes that the bill’s requirement that, in each fiscal year, at least 40% of funding provided under the program be used for projects located in or directly benefiting underserved or overburdened communities applies beginning in fiscal 2025. If the requirement instead applies beginning in fiscal 2024, fiscal 2024 spending under the program may be affected if MDE is not able to meet that requirement with the four projects that the department plans to fund under the fiscal 2024 capital budget as introduced (see p. 39 of the [CIP](#) for the list of projects).

Administrative Costs

General fund expenditures increase by \$269,647 in fiscal 2025 for MDE to administer the increased amount of funding for the program if the authorized annual amount of \$20.0 million is appropriated. This estimate reflects the cost of hiring one administrator/funding coordinator, one accountant, and one engineer to ensure proper administration of the additional authorized capital funding, including project management (e.g., funding coordination, programmatic requirement oversight, and payment of invoices) and oversight of all engineering and construction related activities for funded projects. MDE indicates that existing staff cannot absorb these responsibilities. This estimate assumes that the additional staff begin in fiscal 2025, when the additional funding becomes available, and includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3.0
Salaries and Fringe Benefits	\$246,593
Operating Expenses	<u>23,054</u>
Total FY 2025 MDE Admin. Expenditures	\$269,647

Future year administrative expenditures reflect salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

MDE indicates that there is an annual application and scoring process under the program that is coordinated with agencies such as the Maryland Department of Planning (MDP), the Department of Natural Resources, the Department of Housing and Community Development, and the Maryland Department of Emergency Management. MDP indicates that it can handle review of additional applications resulting from the increased funding with existing resources. It is assumed for the purposes of this fiscal and policy note that the other reviewing agencies can do so as well.

Local Fiscal Effect: Local government revenues and expenditures increase beginning in fiscal 2025 – if the funding authorized by the bill is appropriated – due to the receipt and spending of additional funding under the comprehensive flood management grant program pursuant to the bill, as well as local government spending to meet matching funding requirements if the requirements are not met with private funding. For flood control and watershed management capital projects that do not involve federal funding, a grant under the program must be matched by a minimum of 25% of project costs in local government or private funds. If federal funding is involved, a grant under the program may provide up to 50% of the nonfederal share of the project funding, and local government or private funds must provide at least 50% of the nonfederal share of funding.

Small Business Effect: The bill may have a meaningful impact on small businesses to the extent small businesses provide materials or services for projects funded by grants under the program.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 892 (Delegate Ivey) - Environment and Transportation and Appropriations.

Information Source(s): Caroline and Prince George's counties; Maryland Municipal League; Maryland Department of the Environment; Department of Budget and Management; Maryland Department of Planning; Board of Public Works; Department of Legislative Services

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Analysis by: Scott D. Kennedy

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