

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE
Revised

House Bill 1471

(Delegate Walkup, *et al.*)

Environmental Matters

Education, Health, and Environmental Affairs

Dredged Material Disposal Alternatives Act of 2004

This bill establishes a Dredged Material Disposal Alternatives Program in the Department of Business and Economic Development (DBED) to provide financial assistance for the production and marketing of beneficial reuse technologies. The program is contingent on the allocation of money appropriated in the annual State budget to the Maryland Department of Transportation (MDOT); MDOT is required to allocate money from the Transportation Trust Fund (TTF) after specified conditions are met. By October 1, 2006, MDOT must report to the Governor and the General Assembly on the planned date of program funding. DBED must adopt regulations to implement the bill.

Fiscal Summary

State Effect: Based on the bill's contingency language, funding for the program would likely not occur until at least fiscal 2010. When funding is provided, special fund revenues/expenditures within DBED would increase commensurately with the allocation of funds from the TTF; federal funds could also increase.

Local Effect: The bill would not directly affect local governments. To the extent the bill spurs economic development, local tax revenues could increase.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The goals of the program are to: (1) implement beneficial reuse as a sustainable alternative; (2) foster markets for end-use products that use dredged material as a resource; (3) increase public awareness of the valuable commercial/industrial uses of

dredged material and products that are produced using dredged material; and (4) facilitate the reuse of at least 500,000 cubic yards of dredged material each year.

The program must: (1) seek federal funding; (2) engage in public-private partnerships and provide financial assistance to foster the development, construction, and operation of dredged material reuse facilities in the State; (3) provide financial assistance for the development of end-use markets; and (4) promote the reuse of dredged material and market the resulting products. The bill authorizes DBED to impose terms and conditions on financial assistance. Financial assistance may be in the form of loans or grants. Recipients must regularly submit status reports to DBED.

MDOT must, in accordance with the annual State budget, allocate money from the TTF for the program after elements of a long-term plan for managing dredged material are operational and provide 20 years of placement capacity.

Current Law: The placement of dredged material is limited to one open water site and containment facilities permitted by the Maryland Department of the Environment.

Background: Dredged material is collected as a result of the need to periodically dredge the bottom of the major approach channels to the Port of Baltimore, as well as the port itself, to ensure that these waterways are deep enough for ships. According to MPA, about 4.0 million cubic yards (mcy) of material has to be dredged from the Chesapeake Bay annually to maintain shipping channels to Baltimore. Additional dredged material is anticipated from improvement projects. According to MPA, the total amount of dredged material that will need to be disposed of over the next 20 or more years is approximately 104 mcy. Current placement capacity at existing sites is estimated at approximately 54 mcy (with dike raising at Poplar Island). The fiscal 2005 budget includes \$16.0 million in special funds for dredged material placement and monitoring and \$10.9 million for dredged material disposal and management.

The Dredged Material Management Act of 2001 (Chapter 627) established a six-person executive committee responsible for reviewing and recommending options for meeting both short- and long-term dredged material placement capacity needs. That committee submitted a report to the General Assembly in December 2002 on the progress made in identifying placement options. The report listed a total of 27 placement options, 12 of which were designated for advanced study. The executive committee has since reduced the number of placement options recommended for further study to five site-specific options. In addition, the committee has recommended the expansion of the existing Poplar Island site (for material dredged from bay channels); continued development of the Cox Creek site in Anne Arundel County (for material dredged from Baltimore Harbor channels); and, because sites suitable for land and water-based placement options are

becoming extremely limited, continued investigation of innovative use of dredged material as a long-term option.

With respect to the recommendation regarding innovative use, the executive committee recommended that MPA develop a strategy for managing 500,000 cubic yards annually of dredged material through cost-effective innovative reuses by 2023. Accordingly, MPA is already committed to pursuing innovative reuse as a long-term option for the management of dredged material. MPA advises that the Cox Creek facility is the location of preference for an innovative use facility.

According to MPA, extensive efforts by the U.S. Environmental Protection Agency (EPA), the Port Authority of New York/New Jersey, and the State of New Jersey have failed to produce a cost-effective innovative use process. Those efforts, which have been underway since 1990, have involved a significant amount of funding (\$20 million in EPA grants, \$205 million pledged by the State of New Jersey, and \$130 million provided by the Port Authority). The intent of those efforts was to evaluate options and select the most cost-effective and efficient process for beneficial reuse of dredged material from New York Harbor. According to MPA, the efforts have determined that cement can be manufactured from dredged material at a processing cost of \$60 per cubic yard of dredged material; the end-use product is valued at \$27.50 per cubic yard. In order for the manufacturer to make a profit of \$2.50 per cubic yard, the State of New Jersey and the Port Authority pay a tipping fee of \$35 per cubic yard.

State Fiscal Effect: At this time, it is difficult to predict at what point program funding would begin and how much funding would be provided. According to MPA, under the current timeframe of the dredged material management plan, the bill's contingency language would likely not be satisfied until fiscal 2010 at the earliest. Once MDOT allocates money in accordance with the bill, State finances would be affected as discussed below.

Maryland Port Administration

The impact of the allocation of money from the TTF to DBED is difficult to predict. As a result of the executive committee's recommendations, MPA advises that it will continue to investigate innovative use as a long-term option. Thus, even in the absence of the bill, MPA might fund innovative use projects by the time any allocation of funds would be required under the bill. This will depend largely on the extent to which cost-effective methods for innovative use are found. If cost-effective methods are found, funds that would otherwise be used by MPA for innovative use would simply be allocated to DBED for the new program. On the other hand, if no cost-effective methods are found, the bill would divert funds to DBED that would otherwise be used by MPA for more cost-effective methods of dredged material management.

Department of Business and Economic Development

Special fund revenues within DBED would increase when MDOT allocates money to the new program, which would likely not occur until fiscal 2010 at the earliest. At this time, it is difficult to predict the amount of funding that would be allocated from the TTF to DBED. Federal fund revenues could increase to the extent DBED is successful in securing federal funds for the program, as directed by the bill.

Expenditures for the new program would increase correspondingly to:

- provide financial assistance for the production and marketing of beneficial reuse technologies, the development, construction, and operation of reuse facilities, and the development of end-use markets; and
- promote the reuse of dredged material and market the resulting products.

It is unclear to what extent DBED would need to hire additional staff to administer the new program; while DBED has expertise in reviewing business plans and financial projects to determine whether a project is economically viable, DBED has no knowledge relating to technologies for dredged material reuse. Accordingly, administrative costs could increase.

Legislative Services notes that if an innovative use project is identified that is competitive with alternative management methods (\$15 per cubic yard, for example), costs could total an estimated \$7.5 million annually to facilitate the reuse of 500,000 cubic yards. According to MPA, however, based on innovative use technologies identified to date, costs just to *process* dredged material into a marketable product could total an estimated \$35 per cubic yard; at that level, to reach the bill's stated goal of processing 500,000 cubic yards annually, funding for the program would need to total \$17.5 million annually just to cover estimated processing costs.

To the extent the bill spurs economic development, State tax revenues would increase.

Small Business Effect: The program established by the bill aims to create a market for the beneficial reuse of dredged material by providing financial assistance for the production and marketing of beneficial reuse technologies. Companies involved with the development and implementation of beneficial reuse technologies could, therefore, benefit from any financial assistance provided and from the promotion and marketing of resulting products.

Additional Information

Prior Introductions: Similar legislation was introduced as HB 1204 of 2000. The bill passed the House with amendments. The Senate Budget and Taxation Committee held a hearing on the bill, but no further action was taken.

Cross File: None.

Information Source(s): Department of Business and Economic Development, Maryland Department of Transportation, Department of Legislative Services

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