

Greening the Budget

11 Ideas for Protecting the
Environment and Easing
Maryland's Fiscal Crisis

2004



**A GREEN
SCISSORS
REPORT**

1000 Friends of Maryland
Audubon Naturalist Society
Chesapeake Bay Foundation
Friends of the Earth
Maryland Conservation
Council

Maryland League
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Solutions Not Sprawl

Greening the Budget

Part of a National Campaign

The recommendations in this report are designed to help frame public policy debates and push budget cuts that help both the environment and taxpayers.

The approach, pioneered by the national Green Scissors Campaign, led by Friends of the Earth, Taxpayers for Common Sense and the U.S. Public Interest Research Group, has successfully cut more than \$26 billion in wasteful programs and subsidies that have been eliminated from the federal budget. Similar state-level reform efforts have been undertaken in California, the District of Columbia, Minnesota, Michigan, Washington, and North Carolina.

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Executive Summary

Eleven fiscally sound and environmentally friendly “green budget” policies evaluated in this report could help the State of Maryland ease its budget crisis while discouraging waste and pollution. These policies could improve the outlook for Maryland’s environment, while simultaneously increasing state revenues by at least \$145 million in the next full fiscal year, with up to \$3 billion in long-term savings.

Closing harmful loopholes in the tax code, eliminating unfair subsidies for pollution, and cutting wasteful projects would create financial disincentives for sprawling growth, air pollution, wetlands development, overuse of groundwater, and other environmentally damaging activities. At the same time, these policy changes could help address the severe fiscal crisis facing the state.

This report, part of a larger national campaign to cut environmentally harmful spending from federal and state budgets, documents annual savings of:

- At least \$24 million from closing tax loopholes
- \$99 million from ending environmentally harmful subsidies
- Tens of millions in immediate savings from canceling large and fiscally irresponsible transportation projects, with cumulative savings of up to \$3 billion (See Table 1).

Close Loopholes

Environmentally damaging tax loopholes include a subsidy for mining coal in Maryland, a sales tax exemption for pesticides, and a loophole that allows some corporate land exchanges to evade the Program Open Space tax. These loopholes encourage air and water pollution, subsidize damage to public health and ecosystems, and slow the preservation of Maryland’s natural heritage. Closing them would increase state revenues by \$24 to \$27 million annually.

End Pollution Subsidies

Unfair subsidies for polluting activities come in two forms. First, industries that pollute the air and water benefit when average taxpayers pay for monitoring, regulation, and mitigation of their activities. Second, polluting industries benefit when an environmental regulatory program is underfunded, understaffed, and unable to adequately protect the public. Some of these imbalances could be corrected by adding permit fees to programs that currently lack them (including wetlands development, water withdrawal, and waste disposal), implementing incentives to conserve natural resources like oil, and increasing fees that are set too low to be effective (including fees for air and water pollution and storing toxic chemicals). These actions would reduce incentives to pollute or damage natural resources, and at the same time increase state revenues by \$99 million per year, climbing to \$148 million within several years.

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Table 1**Summary of Fiscal Impact of Green Budget Policies**

Green Budget Policy	Estimated Savings/Revenues (FY 05)
Close Tax Loopholes	
Cancel Coal Production Tax Credit	\$12 to \$15 million
Close Loophole in Program Open Space Funding	\$9.6 million
End Sales Tax Exemption on Pesticides	\$2.2 million
End Hidden Subsidies	
Wetlands Development Permit Fee	\$2.8 million
Water Withdrawal Permit Fee	\$3.6 million
Wastewater Discharge Permit Fee	\$1 million
Landfill Dumping Fee	\$34 million
Fuel-Efficiency Incentive Program	\$19 million
Toxic Chemical Storage Fee	\$5.5 million
Air Pollution Fees	\$33 million
Cut Wasteful and Harmful Programs	
Eliminate Wasteful Highway Projects	at least \$21 million
Total	at least \$145 million

Cut Wasteful Projects

Foremost among wasteful projects in Maryland are large highways that would fail to reduce congestion, but would intensify automobile-dependent land-use patterns, sprawl, and ecosystem disruption. The Inter-County Connector (ICC) is one example. Canceling the ICC would save state and federal taxpayers tens of millions of dollars in the next fiscal year and close to \$3 billion in total. Maryland would benefit more from a transportation policy that focuses on improving mass transit options and planning communities that put homes near jobs and shops.

Most of the policies in this report would directly or indirectly reduce the shortfall in the general fund. A few would create new revenue for programs that have been underfunded. All of these policies would produce environmental and economic benefits that will shift the burden of pollution toward responsible parties and away from general taxpayers. In the long run, this would have the effect of reducing environmentally damaging activities.

Beyond these 11 green budget policies, there are many more opportunities available to protect the environment, public health, and natural resources while improving the fiscal health of the state. We have chosen to highlight a sampling of policies that have been debated in recent years. The leaders of Maryland should actively seek out and pursue policies that can balance the budget and protect the environment.

Introduction

A Call for Fiscal and Environmental Responsibility

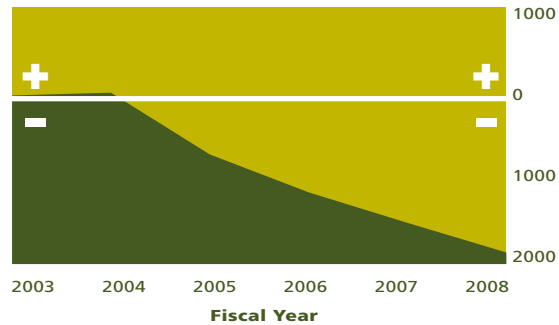
Fiscal and environmental imbalances are connected. Maryland relies on a tax system that subsidizes pollution and penalizes personal income and trade. Pollution subsidies come in the form of tax loopholes, wasteful projects, inadequate law enforcement, inadequate fee systems, understaffed regulatory programs, and even the outright gift of public dollars and resources to polluting industries. Subsidies also come in the form of the money the state has to spend to mitigate social problems that result from pollution and other environmentally damaging activity. These subsidies damage our health, our environment, and our economy.

Right now, Maryland faces one of the largest fiscal crises in the state's history. The Department of Legislative Services projects a \$700 million dollar revenue shortfall for the next fiscal year, deepening in future years. If this course continues, the annual shortfall could approach \$2 billion by fiscal year 2008 (Figure 1). Without comprehensive solutions, future years will require deep cuts in necessary social services or securing additional revenue sources.

At the same time, the state faces a long list of serious environmental problems. Sprawling development swallows Maryland's countryside with highways and strip malls, while undermining existing communities. Smog and soot pollution cause death and respiratory illness in Maryland citizens. Polluting energy production leads to unchecked global warming. Dead zones caused by nitrogen pollution grow in Chesapeake Bay. To make matters worse, the public agencies responsible for defending public health and the environment don't have enough resources to be fully effective.

Figure 1

Projected Budget Deficit



Source: Maryland Department of Legislative Services, *The 90-Day Report, A Review of the 2003 Legislative Session*, 11 April 2003.

Shifting the base of the tax system away from positive activities like labor and trade and toward negative activities like pollution and wasting natural resources would go a long way toward correcting the distortions imposed by the current tax system. Maryland can begin the journey by implementing small changes that “green” the budget by rewarding activities carried out in the interests of the environment and public health, and penalizing activities which impose undesirable costs on society as a whole.

This report outlines a series of appropriate first steps to turn Maryland down a path toward fiscal and environmental security. Maryland's leading environmental groups selected the ideas in this report in consultation with a variety of experts and advocates from the field. The ideas here are but a partial listing of potential solutions to the many fiscal and environmental imbalances in Maryland.

The goals of fiscal responsibility and environmental protection cross political and ideological boundaries.

In that spirit, the ideas presented in this report can help Maryland deal with both its budget shortfall and pressing environmental concerns. State leaders should embrace every opportunity to cut unnecessary and environmentally harmful spending, close unfair tax loopholes, and eliminate harmful subsidies.

Today's budgetary realities require us to spend taxpayer funds in a more judicious manner than ever before.

Governor Robert Ehrlich,
in a letter to the
General Assembly,
17 January 2003

Close Tax Loopholes

Loopholes in the Maryland Tax Code are equivalent to expenditures of public money. Closing three environmentally damaging loopholes could save the state \$24 million to \$27 million annually, while protecting Maryland ecosystems and public health.



Cancel Coal Mining Tax Credit

Maryland spends public funds to encourage coal mining in-state through a tax credit. The policy increases the rate of coal extraction (Figure 2), but also encourages water and air pollution.^[1]

Current Policy

Maryland tax code offers a \$3 credit against the public utility franchise tax for each ton of Maryland-mined coal purchased by utility companies.^[2] The companies receive the credits whether they burn the coal themselves or broker coal sales to other entities. In addition, other qualifying facilities that produce electricity can claim the credit against the corporate income tax.

Green Budget Proposal

Cancel the subsidy for in-state coal mining. The proposal would save \$12-15 million annually.

Impact on Taxpayers

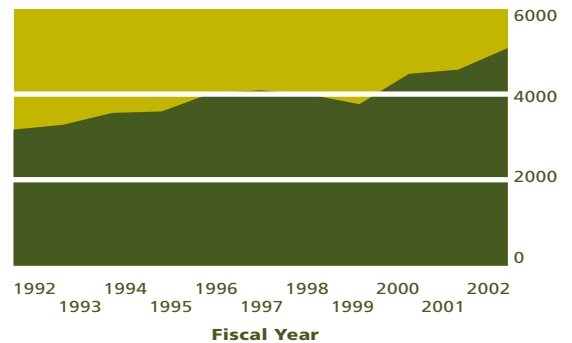
Canceling the coal-mining subsidy would save taxpayers \$12 million in franchise taxes and more through corporate income taxes. In 2002, Maryland coal companies mined 5.1 million short tons of coal in-state.^[3] If the tax credit was claimed for every ton that year, the state would have lost \$15.4 million in tax revenue. According to the Maryland Department of Assessments and Taxation, utility companies claimed approximately \$12 million in credit against the public utility franchise tax under this law in calendar year 2002.^[4] Although data on additional credits claimed under the corporate income tax is not yet available, including corporate income tax losses could bring the total to the full \$15.4 million.^[5]

Impact on the Environment and Public Health

Encouraging coal mining levies costs on the environment and public health in the form of water and air pollution. First, runoff from mines acidifies rivers and

Figure 2

Coal Mined in Maryland



The coal production tax credit was widened in scope and scale by the General Assembly in 2000. After this enhancement, the amount of coal mining in Maryland increased by 25% to 30%.

damages ecosystems. The Maryland Department of the Environment estimates that more than 7,400 acres of land affected by abandoned mines still need reclamation, and 375 miles of streams are impaired with acid mine drainage.^[6] The state has set a goal of restoring damaged land at a rate of 30 to 50 acres per year and streams at 4 miles per year.^[7] At this rate, it will take more than 150 years to reclaim Maryland's abandoned mine sites and 95 years to restore impaired rivers.

In addition, pollution from burning coal contributes to the fact that many areas of Maryland continue to exceed federal air quality standards. The American Lung Association's State of the Air Report for 2003 ranked the Baltimore-Washington region as the 11th smoggiest metropolitan area in the country, and gave nearly every Maryland county a grade of "F" for air quality.^[8] Every year, power plant pollution kills 900 Marylanders, results in 600 hospital admissions, causes 20,000 asthma attacks, and results in 185,000 lost work days in the state.^[9] Coal burning power plants are a leading source of the sulfur dioxide and nitrogen oxide particulates implicated in these effects, as well as a large source of fine carbon soot particles. Mercury pollution from coal burning also contributes to neurological and developmental damage in children.^[10]

The coal industry hopes for "clean coal" technology to solve these problems. However, the actual pollution reduction from these technologies to date has been marginal and expensive. Ultimately, these technologies, if effective at all, just redirect toxins to the land and water instead of the air. The General Accounting Office recently concluded that federal spending on "clean coal" has been a waste of taxpayer money.^[11]



Close Program Open Space Funding Loophole

Program Open Space is a nationally recognized program that provides dedicated funding for state parks, local parks, and conservation areas. The program has preserved 265,000 acres of Maryland's natural heritage since its establishment in 1969.^[12] However, some corporations avoid paying their fair share for land preservation by exploiting a loophole in the tax that funds Program Open Space, leaving families who purchase homes to shoulder the load of preserving Maryland's natural heritage.

Current Policy

Program Open Space is funded by a real estate transfer tax. At the time of every real estate transaction, half of one percent of the selling price is put into a special fund.^[13] This system allows land preservation in Maryland to adequately keep pace with development. State transfer tax receipts go to Program Open Space for parks and recreation, to the Agricultural Land Preservation Fund and the Rural Legacy Program to protect disappearing farmland, and to the Heritage Conservation Fund specifically to preserve land critical for the survival of endangered and threatened species. In 2002, this tax generated over \$114 million for local open space and parks programs.^[14]

However, a loophole in the tax policy allows some corporations to evade paying it. Some corporations set up holding companies that own property. By exchanging ownership of the companies, land can change hands without being exposed to the real estate transfer tax.^[15] The transaction masquerades as an exchange of a controlling interest in a company, hiding the exchange of land.

Green Budget Proposal

Apply the real estate transfer tax to property exchanged through holding companies. This unfair loophole has been closed in many cities and states, including California, Connecticut, Delaware, Washington D.C., Illinois, New York State, New York City, Pennsylvania, Philadelphia, and Washington State.^[16] This proposal would bring in \$9.6 million.

Impact on Taxpayers

According to the Department of Legislative Services, closing this loophole would generate \$9.6 million per year in additional state revenue and almost \$32 million per year for local jurisdictions.^[17] This funding would ensure that everyone who purchases property bears a fair share of land preservation and parkland development costs.

Impact on the Environment, the Economy, and Quality of Life

Program Open Space has contributed to many important land conservation efforts, both large and small. In 2002, the program helped the state preserve over 25,000 acres of land formerly owned by Glatfelter Co., including 31 miles of rivers and streams and 26 major watersheds along the Eastern Shore.^[18] Among hundreds of other successes, the program enabled the preservation of environmentally sensitive bogs in Anne Arundel County known as the "Gem of the Magothy," and helped turn an old gravel mine into a greenway and park along the Patuxent River.^[19] At present, 61% of the land in Maryland remains undeveloped and available for potential preservation efforts.^[20]

During this time of fiscal crisis, the General Assembly has increased the share of the transfer tax going into the general fund to one half of all receipts for fiscal year 2004.^[21] However, this step is effectively paying off the budget deficit with Maryland's natural heritage — a poor bargain. Adequate funding for Program Open Space is critical if land preservation in the state is to keep pace with rapid development. Open space preservation not only provides important areas for recreation, it supports healthy ecosystems, clean water, and important economic benefits.

In the long run, preserving open space will likely pay for itself in increased tax income. Natural landscapes, pastoral countryside, and cultural landmarks preserved with real estate transfer tax funds make communities more attractive, increase property values, and support the extremely valuable tourism industry. For example, the Maryland Department of Economic and Employment Development estimated that commercial and tourism activities related to the Chesapeake Bay provided more than \$31 billion for the regional economy in 1989.^[22]



Repeal Sales Tax Exemption for Pesticides

Maryland spends public money to subsidize and encourage the use of pesticides for agriculture. Out of the \$1.1 billion farmers spent on producing food and crops in Maryland in 1997, \$39 million (or 3.5%) went to pesticide manufacturers.^[23] The widespread release of these harmful chemicals causes water pollution and damage to public health, imposing costs on society estimated to exceed \$29 million per year.

Current Policy

Agricultural pesticides are exempted from the sales and use tax.

Green Budget Proposal

Apply the sales and use tax to pesticides used for agricultural purposes. This policy change would increase the cost of producing agricultural products by less than half a percent.^[24]

Impact on Taxpayers

In 2001, according to the Department of Legislative Services, farmers and agribusiness spent \$44.9 million for agricultural pesticides in Maryland.^[25] Exempting pesticides from the 5% sales tax costs at least \$2.2 million per year.^[26]

Impact on the Environment and Public Health

The growing use of pesticides over the past 60 years has increased chemical contamination of our natural resources, unnecessarily exposing people to hazardous mixtures of chemicals. At least 220 different chemical toxins are applied to crops in Maryland.^[27] People are then exposed to these chemicals through the food they eat and the water they drink.

Maryland's streams contain pesticides such as atrazine, metolachlor, and prometon in detectable levels.^[28] Researchers looking at streams across Pennsylvania, Maryland, West Virginia, Delaware, northern North Carolina, and southern New York found at least one type of pesticide in over 90% of streams. Underground water systems also contain the same set of pesticides.^[29]

Many pesticides are known or suspected carcinogens and can be toxic to humans and animal life. Exposure to these chemicals is chronic and long-term, and could contribute to a variety of hormonal, immune, and developmental health problems. For example, in a report on a four-year study of synthetic chemicals that act like hormones, the National Academy of Sciences concludes, "Elevated levels of the herbicide atrazine found in municipal water supplies in Iowa were associated with excess rates of cardiovascular, urogenital, and limb-reduction deficits" in newborns.^[30]

The costs associated with these problems are much higher than the income that would result from the repeal of Maryland's sales tax exemption for agricultural chemicals. One 1993 estimate by Cornell University's David Pimentel and his associates places the total social and health costs of pesticide use in the U.S. at \$8 billion per year.^[31] Based on these cost estimates and Maryland's share of national pesticide use, the costs of addressing problems associated with pesticides in the state exceed \$29 million per year.^[32]

Effective alternatives to pesticide use do exist, including integrated pest management and organic farming techniques. The sales tax exemption for pesticides acts as a disincentive for these options and unnecessarily hinders their adoption.

End Hidden Subsidies for Pollution

Industries that pollute the air, water and land benefit from hidden subsidies contained in the way regulatory programs are set up and operated. Polluting industries benefit when Maryland taxpayers pay for monitoring, regulation, and mitigation of their activities. Polluting industries also benefit when an environmental regulatory program is under-funded, under-staffed, and unable to adequately protect the public. For example, the Maryland Department of the Environment's Water Management Administration has only 33 inspectors to monitor more than 1,200 facilities that emit pollutants as well as thousands of development sites that impact wetlands.^[35]

Adding permit fees to programs that currently lack them, implementing incentives to conserve natural resources, and increasing fees that are set too low to be effective would reduce incentives to damage natural resources, and at the same time increase state revenues by \$99 million per year, climbing to \$148 million within several years.



Wetlands Development Permit Fee

Wetlands are a critical part of the Chesapeake Bay and Coastal Bays. The Maryland Department of the Environment (MDE) works to ensure that wetlands are preserved with no net loss from development. However, developers allowed to build on wetland areas pay no fees to cover the costs of regulating and monitoring their activity. As a result, general taxpayers provide financing for industries that benefit from using the state's wetlands.

Current Policy

The Water Management Administration within MDE regulates wetlands activities. Among many duties, the Administration evaluates applications to develop wetland areas, issues permits for projects it deems appropriate, and manages an impact mitigation program and a wetlands development inspection program. MDE currently charges no permit fee for wetlands development.^[36]

Green Budget Proposal

Charge a fee for wetland development permits, \$1 per square foot, and index the fee to inflation.

Impact on Taxpayers

Maryland taxpayers foot a large part of the bill for regulating wetlands activity and protecting wetlands resources. The 2003 appropriation for the MDE Water Management Administration as a whole includes 329 staff positions and \$30.8 million in expenditures. Over half of this money comes from the general fund and about a third comes from the federal government, with only 14% from fees on regulated activities like those in the Maryland Clean Water Fund.^[37] Only \$450,000 comes from fees on wetland activities, with only \$150,000 allocated for 2004.^[38]

Every year, the wetlands program authorizes permits for wetlands development on the order of 30 acres per year, and requires wetlands acreage to be established in compensation on the order of 40 acres per year.^[39]

According to an analysis of a similar proposal by the Department of Legislative Services, adding a fee to wetlands permits to mitigate their impact could raise \$2.8 million for the Clean Water Fund and the Wetlands Compensation Fund, shifting more of the burden for dealing with the impacts of wetlands damage to users rather than the general public.^[40]

Impact on the Environment

Wetlands are a critical part of the ecosystem of the Chesapeake and Coastal Bays and of the state as a whole. About 9.5% of Maryland's land area, or 600,000 acres, is covered by wetlands.^[41] These marshes and swamps, bottomland hardwood forests, wet meadows, inland bogs, and shallow ponds have important ecological, scenic, and economic functions. They provide habitat for thousands of animals, birds, and aquatic organisms, including rare, threatened, and endangered species. They act as water storage reservoirs and pollutant filters that help keep the bays clean. They also provide places of scenic beauty and recreational importance that help make the Chesapeake Bay and Coastal Bays a major driver for the valuable tourist industry in Maryland.



Water Withdrawal Permit Fee

Marylanders rely on a safe and adequate supply of drinking water for their well-being. The droughts that plagued the state in 1999 and 2002 reminded many people that water supplies are not limitless and must be protected. Currently, the money used to manage Maryland's water supplies comes from taxpayers and the federal government, not from the largest water users.

Current Policy

The Maryland Department of the Environment regulates groundwater and surface water withdrawal under its Water Supply Program. The program works to ensure that drinking water is safe and that supplies are adequate and reliable. Because Maryland currently does not charge a fee for withdrawing water from underground aquifers or from surface rivers and streams.^[42]

Green Budget Proposal

Add a fee to groundwater and surface water withdrawal permits and index the fee to inflation. The fee should be linked to the volume of withdrawal, so that the largest users pay the largest fees — encouraging water conservation and discouraging consumption.

Impact on Taxpayers

In 2003, the appropriation for MDE's water supply program included 50 staff and a budget of \$4.3 million. Over 21% of this money came from Maryland taxpayers through the general fund, with the remainder from the federal government. In fiscal year 2004, taxpayers will be paying 30% of the budget of this program (\$1.4 million).^[43] According to a Department of Legislative Services (DLS) analysis of a similar proposal, adding a fee for water withdrawal permits could generate \$3.6 million to fill this gap and ensure that the largest users pay for the benefit of access to Maryland's natural resources.^[44]

Impact on the Environment

Large water users should pay for the strain they place on Maryland's water resources. For example, golf courses need to irrigate fairways with about an inch of water per week to make up for the evaporation of moisture on hot summer days. Watering all of the turf grass in Maryland during the summer requires as much water as the combined summer flow of the Choptank, James, Monocacy, Pataspsco, Pamunkey, Patuxent, and Rappahanock rivers in a dry year.^[45]

Two-thirds of Maryland's water supply comes from rivers and reservoirs and the remainder is from underground aquifers.^[46] Increased permit fees can provide funding to protect water supplies from contamination and to encourage conservation.

Water conservation has multiple benefits.^[47] First, it can prevent or postpone the construction of new water supply infrastructure, saving money. Second, it can reduce the amount of water that needs to pass through wastewater treatment plants, extending the useful life of infrastructure and reducing the amount of wastewater discharged into local rivers and the Chesapeake Bay. Third, conservation can extend the life of aquifers and ensure that water will be available for critical needs during times of drought.



Wastewater Discharge Permit Fee

Maryland's waterways are critical as drinking water supplies, wildlife habitat, and a place for recreation. The Maryland Department of the Environment (MDE) is charged with protecting these resources for everyone to enjoy. However, industries that benefit from disposing of waste in Maryland's waterways do not pay the full cost of their regulation. As a result, general taxpayers end up financing costs that should be borne by those who benefit directly.

Current Policy

Facilities wishing to dispose of waste in waterways owned by the citizens of Maryland must first obtain a permit from MDE. Industrial facilities pay between \$50 and \$20,000 for the initial permit, depending on how large and complicated the discharge.^[48] Fees for surface water discharge permits have not been raised since 1993.^[49]

Green Budget Proposal

Raise fees for surface and groundwater discharge permits and index them to inflation. Fees should be set so as to fully cover the costs of regulating industrial pollution dischargers, for managing the impacts of such pollution, and for program development activities.

Impact on Taxpayers

Currently, water discharge permit fees do not cover the costs of regulation. Almost 55% of the appropriation for the water pollution control program in 2003 came from the general fund (\$14.8 million), and only 17% from special funds (\$4.4 million).^[50] The Maryland Clean Water Fund into which permit fees are paid supplied only 4% of the total Water Pollution Control budget.^[51]

According to a recent Department of Legislative Services analysis, permit fees do not even cover the costs of issuing the permits and conducting inspections, much less the cost of managing the impacts of point source pollution or water quality program development. In fiscal 2003, industrial discharge permit fees totaled \$480,000, while the staffing costs for permit drafting and inspection reached \$1 million.^[52]

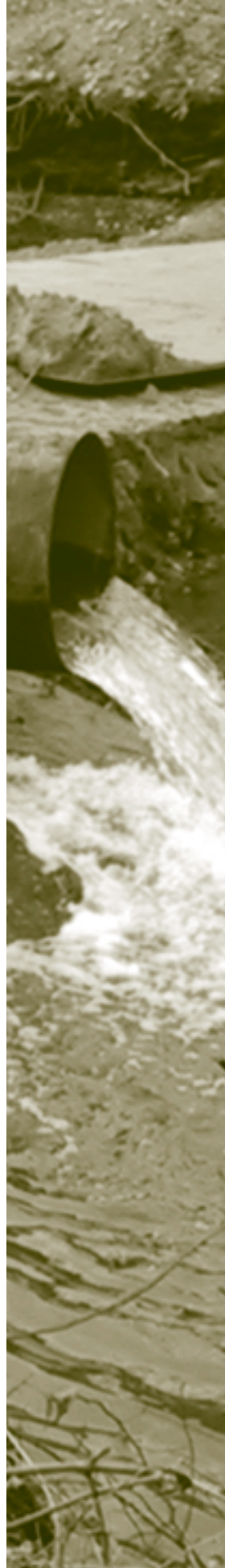
According to the analysis, "MDE advises that the program has a large permit backlog and requires additional resources to fully meet its legal and regulatory obligations."^[53] Even if the fees were doubled, "a significant backlog of work would remain."^[54] And this does not begin to cover related costs, such as monitoring, spill response, cleanup, and development of standards.

If permit fees were tripled, revenue for the point source control program would increase by \$1 million. This would cover staffing costs for permit issuance and compliance, begin to address the backlog of work, and potentially increase resources for managing the impacts of water pollution. Raising permit fee levels would shift more of the burden for protecting water quality onto the industries which benefit from being allowed to dispose of their waste in Maryland's waterways.

Impact on the Environment

The Clean Water Act passed in 1972 laid out important principles for the management of the nation's water resources. It established the idea that the discharge of pollutants to navigable waters is not a right, and set a goal "that the discharge of pollutants into navigable waters be eliminated by 1985."^[55] Thirty years later, companies are still legally allowed to discharge waste into Maryland's rivers and streams. Dischargers release toxic chemicals, some that cause diseases like cancer and some that disrupt ecosystems, kill aquatic organisms, and make water unsafe for fishing and swimming.

Inadequate permit fees subsidize environmental damage. Inadequate permit fees also contribute to the fact that the Water Management Administration is understaffed. The program has only 33 inspector positions filled out of 44 allocated, with oversight over 1,200 facilities that discharge pollutants and over thousands of sites with wetlands activity.^[56] As a result, the program is less able to protect public health and the Chesapeake Bay ecosystem from waste chemicals.





Landfill Dumping Fee

Solid waste that is not re-used or recycled ends up incinerated or disposed of in a landfill, resulting in pollution and wasteful use of natural resources. The ease in which natural resources can be thrown away artificially reduces the cost of producing consumer goods and encourages wastefulness.

Current Policy

The Waste Management Administration at the Maryland Department of Environment is charged with protecting human health, land, and water from waste disposal. Currently, MDE charges no fees to issue permits for solid waste acceptance facilities, nor are these facilities required to pay a fee based on the amount of waste accepted for disposal.^[57] Maryland is the only state in the Mid-Atlantic region that does not charge such a disposal fee.^[58] For fiscal year 2003, average taxpayers provided just under \$5 million dollars (18%) of the operating budget for the Waste Management Administration. Just over half came from special funds, and the remainder from the federal government.^[59]

Green Budget Proposal

Add a \$5 per ton “tipping fee” to the base charges levied by landfill owners on waste haulers, and index the fee to inflation.^[60] The fee should apply to incinerated waste, waste processed at transfer stations, and landfill waste. Other nearby states have significant landfill disposal fees. For example, Pennsylvania charges \$7.25 per ton of waste dumped and uses the funds for the Growing Greener program, an environmental fund with a variety of purposes.^[61] In 2002, Virginia Governor Mark Warner proposed a tipping fee of \$5 per ton in order to fund environmental programs, although the measure did not pass the legislature.^[62]

Impact on Taxpayers

In 2001, Maryland landfills, incinerators, and transfer stations accepted 6.9 million tons of waste for disposal (See Table 2).^[63] A fee of \$5 per ton applied to this waste would generate \$34 million to fund waste reduction and recycling activities.

Table 2

Solid Waste Disposed of in Maryland, 2001

Waste Material	Tons Landfilled or Incinerated	Tons Recycled
Construction and Demolition Waste	1.8 million	1.4 million
Industrial Waste	200,000	130,000
Land Clearing Debris	89,000	33,000
Municipal Solid Waste	4.5 million	2 million
Incinerator Ash	210,000	270,000
Other	100,000	280,000
Total	6.9 million	4.2 million

Impact on the Environment

Solid waste disposal presents problems with environmental contamination, poor use of natural resources, and limited space. Landfills can contaminate groundwater with leaching chemicals. Organic materials and recyclable objects that end up in landfills waste precious natural resources and quickly fill up disposal spaces.

Recycling and waste reduction activities are a major tactic used to reduce the problems associated with waste disposal. According to the Department of Legislative Services, MDE has expanded responsibilities with new federal requirements for landfills, an increase in interstate waste transportation, and new national recycling responsibilities, and cannot effectively ensure the safe and adequate management of solid waste.^[65] For example, the agency aims to achieve 100% compliance with groundwater standards for all active solid waste landfills each year. However, lack of resources limited MDE staff to only inspect 28% of landfill water quality reports in 2000, and 59% in 2001.^[66]

Increased tipping fees can provide a significant source of income to reduce the impact of these problems, as well as an incentive to generate less waste.

Fuel-Efficiency Incentive Program

In the United States, transportation accounts for 28% of all energy consumption, more than residential and commercial uses and second only to industrial uses.^[67] Transportation in Maryland — especially the automobile — relies heavily on oil, creating pressure to exploit natural areas, contributing to geopolitical instability, and intensifying global warming.

Current Policy

Maryland already has a policy on the books designed to encourage the use of fuel-efficient motor vehicles, but the program has never been implemented. Under the policy, vehicles with a high fuel economy rating would receive a motor vehicle titling tax credit. Those with low ratings would pay a surcharge. The policy aims to conserve valuable fossil fuel resources by giving manufacturers an incentive to make cars that go further on a gallon of gas and consumers an incentive to buy them.^[68]

Table 3 outlines the system of credits and surcharges and the schedule under which they would be phased in. The program caps fees and rebates at 1% of the purchase price of the vehicle. Collected revenues would first be applied to cover the cost of credits paid. Any remaining revenue would be spent on transit.^[69]

The program was never implemented because of a technical glitch. The law required that car dealers label each car with a notice of the fuel efficiency surcharge or credit to which it would be subject. According to the National Highway Traffic Safety Administration, this labeling provision violates federal preemption of state-level automotive fuel economy regulation.

Green Budget Proposal

Change the labeling provision of the fuel-efficiency program to eliminate conflict with federal law, and implement the program.

Impact on Taxpayers

Implementing this pioneering fuel-efficiency incentive program would generate at least \$19 million annually for the state in the program's first two years, and at least \$62 million in subsequent years, while providing an incentive to burn less gasoline.^[70]

Using 2002 figures for the sale of new cars in Maryland, the program would collect an estimated \$19.2 million from the title registration of 192,000 vans, SUVs, and pickups with average real fuel economy below 21 MPG. At first, very few vehicles would receive a rebate.

Table 3

Motor Vehicle Titling Tax Credits and Surcharges Under the Fuel-Efficiency Incentive Program

	First Two Years	Third Year and Beyond
Credit for Efficient Vehicles	A \$50 credit for cars with a fuel rating better than 35 miles per gallon (MPG).	A \$50 credit for each mile per gallon above 35 MPG.
Surcharge for Inefficient Vehicles	A \$100 fee for cars that get less than 21 MPG.	A \$50 surcharge for each mile per gallon below 27 MPG.

Beginning in the third year, revenues would rise. Based on the fuel efficiency ratings of classes of new vehicles sold in 2002, the state would collect an estimated \$62 million from the sale of new cars and trucks. In future years, revenues could decline with increasing sales of fuel-efficient vehicles.

Impact on the Environment and Public Health

Increasing the fuel efficiency of automobiles is the biggest single step Maryland can take to reduce consumption of fossil fuels and mitigate these problems. Implementing the fuel efficiency incentive will promote energy efficiency in the transportation sector and encourage auto manufacturers to design, build, and market more efficient and cleaner cars. For example, Honda and Toyota are already selling hybrid gasoline-electric vehicles that are twice as efficient as a typical new car. With greater incentives, manufacturers can accelerate the introduction of these types of advanced technologies.

The increase in vehicle miles traveled and stagnant or declining fuel economy over the last 18 years has led to increased carbon dioxide emissions, a major pollutant contributing to global warming and a serious threat to the stability of Maryland ecosystems. Pollution from vehicles is a significant portion of the nitrogen pollution entering the Chesapeake Bay. Poor air quality also contributes to public health concerns such as increased asthma rates and ozone and smog alerts. In addition, some decision-makers are seeking to develop the last remaining domestic energy sources, putting national treasures like the Arctic National Wildlife Refuge and the nation's coastlines at risk.



Toxic Chemical Storage Fee

In order to ensure that emergency responders are prepared for accidents, industries that store hazardous levels of toxic chemicals have to prepare reports about their inventories. Local emergency planning committees use this information to make sure chemical accidents can be handled safely. Unfortunately, the largest chemical users do not pay their fair share for this reporting program, leaving the program under-funded and industries without an incentive to reduce hazardous chemical storage.

Current Policy

Chemical users report their inventories to the Maryland Department of the Environment under the federal Emergency Planning and Community Right to Know Act. They also pay fees into the state Community Right to Know Fund to provide resources for protecting Maryland citizens from toxic chemicals used in their communities. In fiscal 2003, chemical users paid \$341,000 into the fund.^[71] Money from the fund pays for emergency planning, collection and distribution of information on what toxic chemicals are stored in facilities, and other activities related to chemical safety.

The program is under-funded and cannot adequately protect communities from toxic chemicals, mostly because the maximum reporting fee was set at \$1,000 per year.^[72] This cap applies whether the company using toxic chemicals owns one facility or a hundred. The result is that the largest companies with the most toxic chemicals on site pay the least amount into the program relative to their income. For example, Verizon has 300 facilities subject to chemical reporting requirements, but pays only one fee.^[73] Current policy provides no incentive for using smaller amounts of chemicals.

Not only is this unfair, it is dangerous. Local chemical emergency planning committees don't have enough resources to adequately prepare for accidents, spills, or even terrorist attacks.

Green Budget Proposal

Remove the upper limit on right-to-know fees. Instead, the fee should be set such that larger facilities and entities that own many facilities should have to pay the full costs associated with data collection, management, and analysis; enforcement of the state right-to-know program and the federal Emergency Planning and Community Right to Know Act; and planning and training for emergency response. The fee should be proportional to the amount of toxic chemicals in use and storage at facilities, and also proportional to the toxicity and danger of the chemical.

Impact on Taxpayers

Removing the upper limit on right-to-know fees would ensure that the largest chemical users pay their fair share for using toxic chemicals, as opposed to allowing average taxpayers to make up the difference from the general fund or simply allowing the program to be under-funded and ineffective. According to a recent Department of Legislative Services analysis, requiring companies to pay a fee for each of their regulated facilities, but maintaining the current fee schedule limit of \$1,000 per facility, would increase fund receipts four-fold to \$1.4 million.^[74] An earlier DLS analysis found that a higher fee schedule capped at \$10,000 for a single facility would generate \$1.5 million, or 4 times current receipts.^[75] Both of these reforms — charging a fee for each facility and increasing fee levels to \$10,000 for facilities using the highest volumes of the most toxic chemicals — would generate roughly \$5.5 million per year.

Impact on Communities and the Environment

The largest users of the most toxic chemicals create the greatest dangers in communities. Therefore, they should supply an appropriately proportional share of chemical safety funding. One benefit of this policy would be that reducing inventories of dangerous materials would yield monetary savings, providing an incentive to make facilities safer.

The policy would also give local emergency planning committees the resources they need to be prepared for accidents. Currently, 23 emergency planning jurisdictions share one half of the funding from the community right to know fee. Local emergency planning committees are minimally functional in less than half of those jurisdictions, with some meeting only once per year.

Local emergency planning committees are important for public safety, as dramatically illustrated during a chemical fire in Baltimore during the summer of 2001.^[76] Employees at JAG Industries, Inc. accidentally ignited stocks of a dangerous chemical called sodium borohydride. Fire-fighters knew that putting water on the fire would have caused an explosion, because of training from their local emergency planning committee and luck that a knowledgeable employee was on hand at the time. They were able to call in appropriate hazardous materials staff and safely extinguish the fire. Adequate funding for the Community Right to Know program can improve the odds that future firefighters will be as prepared.



Air Pollution Fees

Air pollution from power plants, chemical manufacturers, and other major industrial sources imposes large health costs on the citizens of Maryland, on the order of at least 900 premature deaths and 185,000 lost work days due to illness per year.

Current Policy

The Clean Air Act set national air quality standards for six chemicals found frequently in outdoor air that can injure human health, harm the environment or cause property damage. These chemicals, called “criteria air pollutants,” include: ozone (created by the reaction of nitrogen oxides, or NO_x, and volatile organic compounds, or VOCs), particulate matter, and sulfur dioxide (SO₂). The Maryland Department of the Environment regulates facilities that emit these pollutants, setting emissions limits and collecting fees.

However, Maryland’s current fee structure fails to adequately account for the costs of polluting the air. In 2002, air pollution permit fees generated only \$4.2 million in revenue, while over 400,000 tons of criteria pollutants were emitted.^[77] The fees also unfairly benefit the largest facilities. Fees are only applied to emissions below a 4,000-ton cap, and are limited to \$200,000 per year per facility, effectively giving a free ride to the largest emitters.^[78] This disproportionately taxes smaller facilities, while providing no incentive for the biggest polluters to cut their emissions.

Green Budget Proposal

Raise permit fees for air pollution to \$85 per ton of criteria pollutant emissions, similar to recent action in New Jersey.^[79] The fees should also be applied to all emissions and not just those beneath an arbitrary cap.

Impact on Taxpayers

Increased air pollution surcharges, if applied to all emissions from major air polluters in Maryland, would generate \$37.3 million per year — a \$33 million increase over current collections.

Impact on the Environment and Public Health

Increasing surcharges on air pollution emissions would impose a meaningful incentive for the largest emitters to reduce emissions wherever possible, providing benefits for the environment and public health.

Table 4

Projected Annual Revenues from an \$85 Per Ton Criteria Air Pollutant Emission Surcharge

Pollutant	Tons Emitted in 2002	Projected Revenue
Oxides of Nitrogen (NO_x)	112,185	\$9,535,725
Particulate Matter (PM₁₀)	11,955	\$1,016,175
Sulfur Dioxide (SO₂)	305,475	\$25,965,375
Volatile Organic Compounds (VOCs)	8,956	\$761,260
Total	438,571	\$37,278,535

Each year, point sources in Maryland collectively emit 1 billion pounds of criteria air pollution.^[81] These emitters include major industrial facilities like chemical plants, steel mills, oil refineries, hazardous waste incinerators, and power plants. Coal-fired power plants are high among the largest polluters. Maryland has seven coal-fired power plants that released a combined 79,000 tons of NO_x, 249,000 tons of SO₂, 4,000 tons of particulates, 1,600 pounds of mercury, and 461 tons of VOCs in 2000.^[82]

More than one million children live within 30 miles of at least one of these power plants, and over 68,000 of them have asthma.^[83] Every year, power plant pollution cuts short the lives of an estimated 900 Marylanders, results in 600 hospital admissions, causes 20,000 asthma attacks, and results in 185,000 lost work days in the state.^[84] Coal-burning power plants are a leading source of the fine carbon, sulfur dioxide and nitrogen oxide particulates implicated in these effects.



Cut Wasteful Projects

Maryland spends enormous amounts of money on wasteful projects that damage the environment and harm public health. Foremost among these wasteful and irresponsible programs are massive highway projects that exacerbate suburban sprawl and fail to reduce congestion.



Eliminate Wasteful Highway Projects from the Transportation Plan

Maryland could save millions in fiscal 2005 and billions in the coming decade by withdrawing funding for wasteful highway projects, especially those that encourage growth outside of the state's Priority Funding Areas and those that promote automobile dependent land-use patterns.

Current Policy

Transportation spending in Maryland is still primarily being steered by highway-dominated long range plans. For fiscal 2004, the Department of Transportation highway construction allowance is \$868 million dollars, or 59% of all proposed capital spending for all forms of transportation.^[86] Constructing new highways costs the state hundreds of millions of dollars per year while providing little long-term relief from congestion, creating car-dependent land use patterns, and exacerbating sprawl.^[87]

The proposed Inter-County Connector (ICC) is a perfect example. For decades, Maryland transportation planners have considered building the ICC, an 18-mile long, highway connecting I-270 in Montgomery County to I-95 south of Laurel. Despite concerns about the impact of the highway on Maryland's sprawling growth, the project has been re-prioritized with expedited review. Planners anticipate completing the environmental impact statement by the end of 2004.^[88]

Green Budget Proposal

Cut funding for the Inter-County Connector.

Impact on Taxpayers

Stopping work on the ICC would save taxpayers billions of dollars. In 2003, \$19 million was allocated to fund initial project design and an accelerated environmental impact study.^[89] For fiscal year 2004, the state has budgeted \$21.1 million for project planning and right of way acquisition.^[90] The fiscal year 2005 budget will presumably be at least this large. Right of way acquisition and construction would cost \$1.7 billion between 2004 and 2010.^[91]

Financing costs raise the price tag considerably. A preliminary financing plan for the ICC relies on \$1 billion in GARVEE bond funds (loans based on future federal highway dollars), with an estimated financing cost of \$0.8 billion, plus another \$300 million in general bonds, with \$280 million in financing costs.^[92] All together, the full price tag for this project approaches \$3 billion over 30 years. State taxpayers will bear a share of these costs along with the federal government.

Impact on Commuters and the Environment

Proponents argue that the ICC would reduce traffic congestion and travel times for D.C. area commuters by providing a major east-west route north of the Beltway. However, studies show that the highway would do little to ease congestion and would escalate current environmental and public health problems in the area.

In its 1997 Draft Environmental Impact Statement on the ICC, the Maryland State Highway Administration found that the highway would relieve Beltway traffic by no more than 7 percent and would even increase congestion on almost every local north-south road intersecting the ICC.^[93] Ultimately, the average commuter would save less than 1 minute on a 33-minute trip.^[94]

The proposed highway has an environmental price tag as well. Cutting a highway across two counties would directly destroy and estimated 550 acres of forest and 145 acres of parkland.^[95] More significantly, the ICC would encourage sprawling development in rural areas. Increased runoff pollution, already the primary source of contamination in the Chesapeake Bay watershed, would cause further degradation of local waterways. By encouraging commuters to drive more miles, the project would inhibit efforts to improve the region's air quality, which is among the nation's worst for ground-level smog.

The ICC would not solve congestion problems in Prince George's and Montgomery counties. The region would benefit more from a transportation policy that focuses on improving mass transit options and by planning communities that put homes near jobs and shops.

Projects to Watch

In addition to the ICC, several other proposed transportation projects have the potential to negatively impact both the environment and the state budget. Although these projects have no money allocated this fiscal year, they deserve greater scrutiny.

Outer Washington Beltway

The Inter-County Connector is the first leg of an outer beltway around Washington, D.C. Other pieces include new bridges across the Potomac River, the Techway in Montgomery County, A-44 in Prince George's County, and a widened US 301 with a bypass around Waldorf.

The Techway would run west from I-270 through Montgomery County's Agricultural Reserve across a new bridge over the Potomac to link up with Route 28 in Virginia. MDOT recently committed \$400,000 for a new Potomac River Crossing study, even though the project has been studied nine previous times. Previous bridge studies have found minimal traffic relief, a major increase in sprawl in rural areas, and a shift of economic investment away from existing urban communities. The last federal study estimated the cost of the bridge at \$2 billion and all the connecting infrastructure at an additional \$13 billion.

Another proposed segment known as A-44 would run eastward from I-95 across US 1 and southeast through the USDA Beltsville Agricultural Research Center, ending at US 301 north of Upper Marlboro. The State Highway Administration's unapproved plan for a freeway upgrade of US 301 from Bowie at US 50 to La Plata calls for an interchange at the juncture of A-44 and US 301.

The freeway upgrade of US 301 has been stalled because of opposition to a western Waldorf Bypass, a key component in the state's freeway upgrade plan. The Prince George's County Council has passed resolutions opposing construction of the Waldorf Bypass.

Further south, the Charles County Commissioners put the western Waldorf Bypass on their "transportation strategy" and stated they would build it entirely in Charles County with county funds. The bypass would go from an extensive wetland system at the Prince George's County line to La Plata at the intersection of US 301 and Turkey Hill Road. A cemetery at this location was bought by SHA to be used to construct an interchange consisting of US 301, the Waldorf Bypass, and a new road westward through rural Charles County to Chickamuxen. This new road would cross over the Potomac River to join with Virginia's "Western Transportation Corridor."

Route 32

The Maryland Department of Transportation has proposed to widen Route 32 in western Howard County from a 2-lane arterial road to a 4-lane highway with three new interchanges. The proposal would cost taxpayers \$209 million. It would also increase development pressures in Howard and Carroll counties, leading to even higher transportation needs in the future.

Commuters from Carroll County already have a multi-lane parallel route from I-70 to U.S. 29 to Rt. 100. Howard County's 2000 Master Plan calls for the preservation of the county's rural west, including efforts to prioritize non-widening solutions to safety issues on the area's increasingly congested highways. "Until all non capacity expansion actions to improve safety have been considered, capacity expansion should not be undertaken," says the Master Plan. "Projects that will improve safety without expanding capacity should receive priority over projects that will expand capacity."

Dredging of the Chesapeake and Delaware Canal

Officially, The Maryland Port Authority and the Army Corps of Engineers have suspended work on a project to deepen the Chesapeake and Delaware Canal (C&D Canal). If the project is reauthorized, it would waste taxpayer dollars and harm the environment. The Army Corps dredging feasibility study released in 1996 relied on basic mathematical errors, overly optimistic canal and port traffic predictions, suspect definitions of taxpayer benefits, and a cheap and controversial open bay dredge spoil disposal site in order to conclude the project was economically justified.^[96] In contrast, a group of citizen watchdogs calculated that the costs outweigh the benefits by at least 50 times.^[97]

The Army Corps is scheduled to decide whether to reinitiate the C&D canal deepening in January of 2004.^[98] However, the Maryland Department of Transportation lists the project in planning documents as scheduled for 2007 and 2008, and the Maryland Port Authority spent \$400,000 on "engineering" related to the project while it was officially on hold.^[99] In the future, this project must be watched closely.

Endnotes

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- [99] C&D dredging schedule: Maryland Port Administration, "Implementation of the Dredged Material Management Act of 2001, 2003 Activities," 5 November 2003; MPA spending: past six Consolidated Transportation Plans of the Maryland Department of Transportation.

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These organizations support the principles of the *Greening the Budget* report to help create policies for Maryland that are fiscally responsible and environmentally sound. They do not necessarily endorse or have expertise on every recommendation in this report.



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