

Saving a National Treasure: *Financing the Cleanup of the Chesapeake Bay*

*A Report to the Chesapeake
Executive Council from the
Chesapeake Bay Watershed
Blue Ribbon Finance Panel*

Presented by Bruce
Williams and Penelope
Gross, Chesapeake Bay
Policy Committee

Presented to
COG Board of Directors
January 12, 2005



Panel Membership...



Left to right: Joseph Corrado, James Patrick Muldoon, John McNeil Wilkie, Phyllis M. Cole, William C. Baker, James D. Wilkins, II, The Honorable Gerald L. Baliles, F. Henry Habicht, II, The Honorable Penelope A. Gross, Terry L. Randall, Thomas J. Kelly, The Honorable Bruce Babbitt. Not shown: Nicholas DeBenedictis, The Honorable James W. Hubbard, Jim Purdue.

The Panel's Mission...

- The panel was charged to:
 - **evaluate possible funding sources and financing mechanisms** for reducing nutrient and sediment pollution throughout the Bay watershed;
 - **assess and explore financing opportunities** from federal, state, local and private sources
 - **emphasize financing efficient pollution reductions** from storm water, air emissions, agriculture and sewage treatment plants.

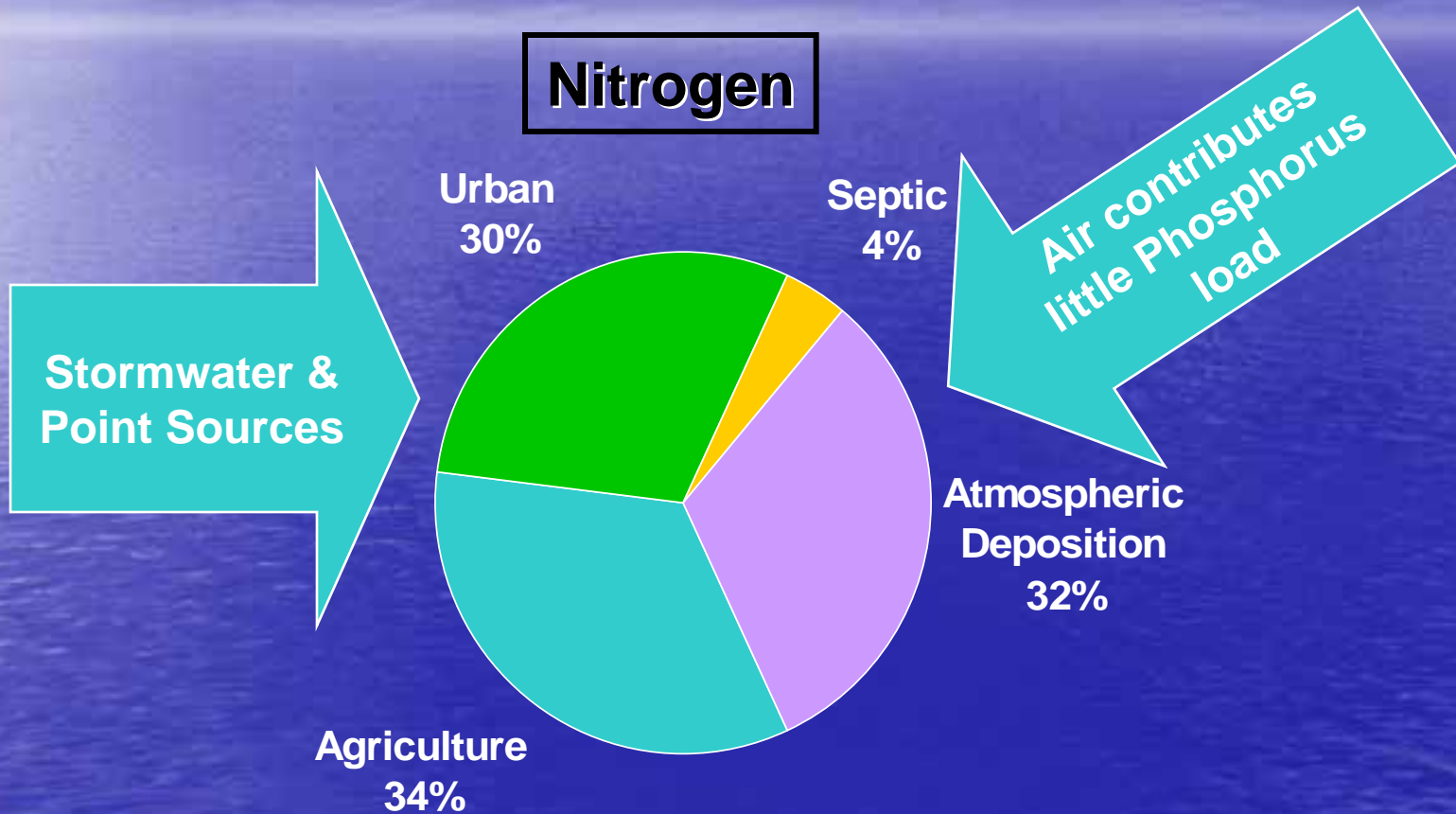
What the Panel Learned...

What's hurting the Bay?

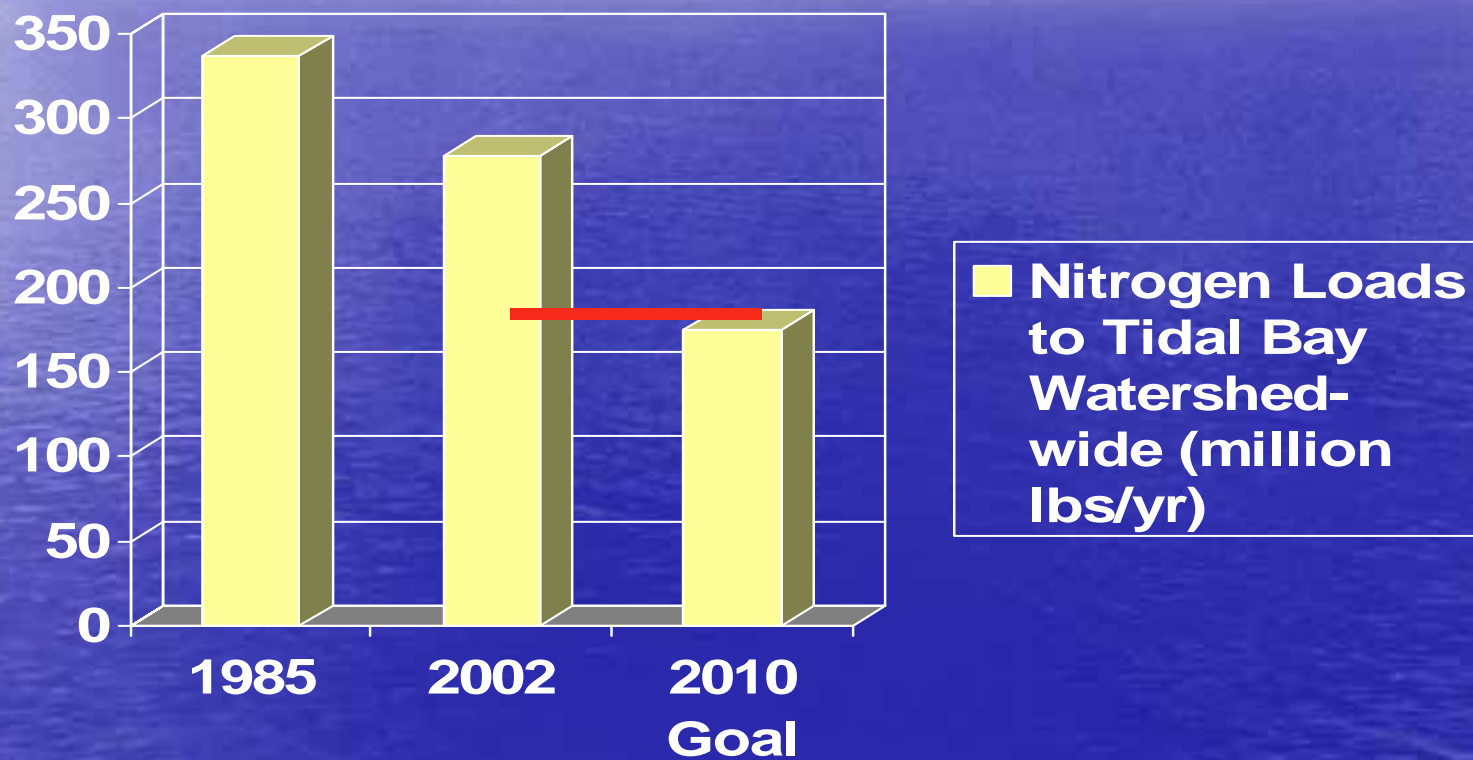
- Nutrient and sediment pollution degrades water quality and provides poor conditions for the plants and animals that call the Bay home
- Pollution comes from:
 - Agriculture
 - Air Deposition
 - Municipal and Industrial Wastewater Treatment
 - Development
 - Septic Systems

Nutrient Pollution in the Bay Watershed

2000 Loads to the Tidal Chesapeake Bay by Source



We know how much Nitrogen pollution to reduce by 2010...



Needed: 103 million pounds in 8 years
Achieved: 60 Million pounds in 17 years

What the Panel Learned...

What's needed to restore the Bay?

- **Steep reductions** in the amount of nutrients and sediment flowing into the Bay
- **A large-scale financial investment**
- **A fully-integrated approach** for coordinating funding and implementation across the watershed's seven jurisdictions
- The **political will** to make it a reality



Primary Recommendation...

The Chesapeake Bay Financing Authority

- Charged with **prioritizing and distributing** restoration funds across all parts of the Bay watershed
- Would “direct funds toward efforts deemed the most **effective, efficient and innovative, regardless of geography**”
- Capitalized by a **six-year, \$15 billion** investment
 - 80/20 ratio of federal to matching funds
- Similar to **State Revolving Loan Funds (SRF)**, but with Bay watershed pollution reduction focus

Key Agricultural Recommendations...

- **Increase Farm Bill funding for the Bay watershed**
 - historically the Bay watershed has received less funding than other regions in the country
- **Improve the efficiency of federal cost-share programs**
- **Require nutrient management plans as part of compliance for Farm Bill Commodity Payment programs.**
- **Invite the Secretary of Agriculture to join the Chesapeake Executive Council.**



Key Wastewater Recommendations...



- Create a **nutrient trading program** for municipal and industrial wastewater plants.
- Develop a **pilot grant program** to upgrade wastewater treatment facilities
- The federal government should develop a **Hardship and Innovation Fund** to supplement Clean Water State Revolving Loan Fund programs (CWSRF).
- The states should **establish tax-exempt financing** for industrial wastewater facilities.



Key Development Recommendations...

- **Establish storm water utility user fees** at the local level to fund storm water management programs
- **Develop financial incentives to reduce the cost of urban retrofits**
- **Establish a residential lawn and garden fertilizer surcharge** at the state level.
- **Fund green space acquisition** through Purchase or Transfer of Development Rights



In Summary, the Panel found...

- It is difficult to determine the full costs of restoring the water quality of the Chesapeake Bay, **current funding clearly does not meet financing needs for restoring water quality by 2010.**
- Available funding remains **insufficiently prioritized and directed.**
- The time to address and meet these challenges has arrived.
 - *Financially*, it is wise to make this investment in the Bay now.
 - *Legally*, it would be imprudent to ignore the consequences that will flow from a failure to make this investment.

Next Steps for COG

- Approve Resolution R2-05, directing COG to:
 - Circulate report to member local governments and ask for review and comment
 - Task Bay Policy Committee with gathering the input from members and developing a regional position on its recommendations
 - Ask the CBPC to report back to Board by March 2005, so that the regional position can be communicated to the Bay Program

More Next Steps for COG

- The Executive Council has called for a new committee to draft the details of a proposed regional financing authority by July 1, 2005
 - CBPC letter to the EC asks for local governments to be represented on this committee
 - Bay Policy Committee will continue to work for the incorporation of a local government voice in the development of this critical financing mechanism.