

A Coalition for an Affordable Bay Solution

To: Chairman and Members
Majority Senate Policy Committee

From: Ed Schafer, Chairman
Coalition for an Affordable Bay Solution

Date: May 7, 2015

Re: Public Hearing

At yesterday's hearing, several questions were raised that require further clarification.

Would adoption of SB 724 incentivize poor farming practices?

The legislation has no impact on existing baseline requirements for agriculture. Agriculture would still have to maintain and meet its baseline requirements for nutrient management. Further, agriculture is not a buyer of credits since improvements beyond baseline are voluntary. Under SB 724, agriculture could be a low cost provider of credits to regulated entities like municipalities that need to meet new permit requirements, which would be procured by the state.

What happens if the state does nothing?

Funding by taxpayers will continue to be directed to high cost solutions resulting in a default due to insufficient resources to meet the mandate at existing compliance price points. Stormwater at \$386 per lb of nitrogen reduced as projected by the LBFC study is looming and \$8 per lb credits from agriculture are available. The result of the inability to meet requirements will be a call for more regulation which will be opposed by the state. As noted in the LBFC study, EPA will eventually move to require even more expensive solutions by municipal wastewater plants and stormwater authorities.

How will legislation be paid for?

SB 724 is not a funding bill. The obligation to spend money to reduce nutrients to the Bay already exists and money is already being spent by the state and the taxpayers. SB 724 simply provides an alternative, low cost solution for existing regulated entities with specific focus right now on stormwater. Funding to purchase reductions for use by stormwater as an alternative will come from participating stormwater authorities that have ability to levy fees on ratepayers. As such, SB 724 does not mandate the appropriation of funds by the state.

The LBFC study supported competitive bidding to replace sector allocation. The LBFC projected by using competitive bidding overall compliance cost would be reduced by 80%. Opponents and some supporters of the legislation have concerns that existing programs such as agriculture

BMP's could potentially see funding diverted to a competitive bidding program in the future and would oppose such a reduction in funds. The bill does not mandate diversion of program funds. Lastly, agriculture BMP's will need to play a significant role in meeting Bay compliance targets since the number of large scale projects are limited. A significant volume of reduction will continue to be required from small farms which will require BMP's being deployed since they would also be less expensive than waste and stormwater upgrades.